

Corporate Responsibility Report 2010



About this Report



Report Profile

The Hang Seng Bank Corporate Responsibility (CR) Report provides information on Hang Seng's principles and actions as a corporate citizen operating in the financial sector and its relationships with major stakeholder groups. It describes the Bank's efforts to support the principles of sustainable development during the calendar year of 2010. Unless otherwise stated, information on the Bank's activities in this report is for the period from 1 January 2010 to 31 December 2010.

The report focuses on the specific economic, environmental and social issues that contribute to the sustainability of Hang Seng Bank, and were of interest to our stakeholders in 2010. The report supplements the CR section of the Bank's 2010 Annual Report.

To help benchmark Hang Seng's economic, social and environmental performance, we have used GRI G3.1 Sustainability Reporting Guidelines as a reference in this CR report.

Report Scope

We defined the content of this Report after taking into account the materiality of sustainability issues arising from Hang Seng's operations in Hong Kong.

Data measurement techniques and the basis of calculations are explained next to the data tables. Financial data is extracted from or compiled based on the Bank's audited annual accounts for the year ended 31 December 2010.

There are no significant changes from the previous reporting period in terms of scope, boundary or measurement methods of this Report. Where there has been any restatement of information provided in previous Reports, reasons for such restatement are provided.

Reporting Period

Financial accounts data is for the financial year 1 January 2010 to 31 December 2010. Other information covers the same period (from 1 January 2010 to 31 December 2010) unless otherwise stated.

Report Coverage

Hang Seng Bank's Hong Kong operations, unless otherwise stated. Hang Seng's mainland China business operations are excluded. This report covers operations that are under Hang Seng's direct control and provides information on the Bank's efforts to have a positive influence on the sustainability awareness and activities of its customers, suppliers, business partners and the wider community.

Reporting Guidelines

Financial and corporate data included in this year's Report are directly comparable with data from the 2009 CR Report unless otherwise stated. This Report also gives greater consideration to reportable information under the GRI G3.1 Sustainability Reporting Guidelines as part of our efforts to work towards GRI G3.1 Compliance.

Assurance

This Report has been independently verified and achieved a GRI application level B+. Please refer to "Additional Information" for the assurance statement issued by the verifier.

Contact us

The Hang Seng Bank CR Report is published annually. The Bank's last CR Report was published in May 2010.

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We value your feedback on our CR reporting.

Chief Executive's Message



Hang Seng Bank's strong emphasis on sustainable business practices is an important element in our long-term success. Our annual online corporate responsibility report provides details of our sustainability principles and relationships with key stakeholders. It is also a valuable tool in benchmarking changes in our economic, social and environmental performance in 2010.

Hang Seng is one of Hong Kong's largest listed companies in terms of market capitalisation and among the 50 largest banks in the world. To ensure long-term growth of our business, we strive to provide service excellence for our customers, good career development for our staff, and increasing value for our shareholders.

We also aim at having a positive influence on the wider community by setting a good example through continually improving the economic, social and environmental performance of our operations, as well as with our investment and lending policies and the community development programmes that we initiate and support.

Our corporate responsibility achievements for 2010 include:

- Reducing our greenhouse gas emissions per full-time equivalent employee by 3.8 per cent compared with 2009
- Winning the Gold Award (Finance, Insurance and Accounting Institutions Sector) at the *Hong Kong Awards for Environmental Excellence*
- Becoming the world's first bank to achieve compliance with international occupational health and safety standard BS OHSAS 18001:2007
- Contributing about 20,000 hours in volunteer service - a 17.6 per cent increase compared with 2009
- Giving about HK\$30 million in donations and community sponsorships
- Becoming the first local bank in Hong Kong to achieve compliance with international environmental management system standard ISO14001 at all street-level branches
- Ranking No 3 in Hong Kong in *Euromoney's* 'Best Corporate Governance Awards'

In July 2010, Hang Seng was selected as a constituent stock of the newly launched Hang Seng Corporate Sustainability Index. This index, the first of its kind in Hong Kong, covers 30 Hong Kong-listed and 15 Mainland-listed companies with outstanding corporate sustainability performance and provides an important benchmark for the investment community to assess socially responsible investments. Constituent stocks are selected using an independent assessment process.

We are also proud that Hang Seng has been the most recommended bank by personal customers in Hong Kong for six consecutive years, a Hong Kong Council of Social Service 'Caring Company' for eight consecutive years and a constituent of the FTSE4Good Global Index for 10 consecutive years.

The international economy improved significantly in 2010 but the outlook for 2011 remains uncertain. Stakeholders are increasingly concerned about the sustainability performance of companies. In facing the challenges that lie ahead, Hang Seng will continue to leverage its strong corporate responsibility foundation and work closely with stakeholders to achieve long-term business success.

Margaret Leung

Vice-Chairman and Chief Executive



Our Approach



Hang Seng's achievements over the years reflect the dedicated efforts of staff and management to uphold the Bank's core principles of service excellence, shareholder value and corporate responsibility, with the overarching objectives of exceeding the expectations of key stakeholders and achieving sustainable growth.

As a market leader in Hong Kong, we understand the business case for consideration of the 'triple bottom line'. Taking a holistic approach supports better risk management, helps identify areas in which we can improve efficiency and gives us greater exposure to new business opportunities - providing good support for our long-term development.



Our proactive approach to corporate responsibility will also ensure we are competitively placed as stakeholders put increasing emphasis on the social and environmental - as well as economic - performance of companies in the financial services industry.

This Corporate Responsibility (CR) report provides information on the sustainability performance of Hang Seng. The report's content and structure reflect the following factors:

- Issues arising from stakeholder engagement initiatives
- Issues commonly identified throughout the banking and finance industry, including benchmarking against other financial institutions
- Use of a materiality CR matrix
- Reference to the GRI reporting framework and ISO 14001

Components of Hang Seng's CR Matrix

Corporate Governance & Business		People	
<ul style="list-style-type: none"> • Regulatory framework • Ethics and responsible business practices • Governance (Board, senior management, functional committees) • Annual/interim reports • Auditing and compliance • Two-way dialogue • Monitoring customer satisfaction 		Direct <ul style="list-style-type: none"> • Diversity / Equal opportunities • Talent retention • Training • Health and safety • Work-life balance • Employee engagement Indirect <ul style="list-style-type: none"> • Supply chain management • Customer relations 	
Environment		Community Investment	
Direct <ul style="list-style-type: none"> • Environmental projects • Environmental education • Procurement and IT • Property management • Environmental reporting Indirect <ul style="list-style-type: none"> • Credit lending guidelines • Supply chain management 		Direct <ul style="list-style-type: none"> • Donations • Sponsorships • Staff volunteer work • Community partnerships Indirect <ul style="list-style-type: none"> • Leading by example 	

Our CSR Model/Matrix



Stakeholder engagement

Our stakeholders include customers, staff, shareholders, suppliers, investors, regulatory bodies and the wider community. Understanding their needs and concerns is the central element of our efforts to build a successful and sustainable business. We adopt both top-down and bottom-up approaches, and use different channels to engage stakeholders.

Managing sustainability issues involves balancing a range of different views and expectations. Our approach is set out in the rest of this report but, simply stated, we believe in the importance of service and putting stakeholders at the heart of our decision-making process.

Our Business



- Who We Are
- What We Do

Who We Are

Established in 1933 and headquartered in Hong Kong, Hang Seng Bank is a world-class financial institution and one of Hong Kong's largest listed companies in terms of market capitalisation of HK\$244.3 billion as at 31 December 2010.

In Hong Kong, we operate about 220 outlets 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 a wholly owned subsidiary bank, Hang Seng Bank (China) Limited, in mainland China. Hang Seng China is headquartered in Shanghai and operates a mainland network of 38 outlets in Beijing, Shanghai, Guangzhou, Dongguan, Shenzhen, Fuzhou, Nanjing, Hangzhou, Ningbo, Tianjin, Kunming, Foshan and Zhongshan.

A list of Hang Seng's subsidiaries as at 31 December 2010 and as defined in Section 2 of Hong Kong Companies Ordinance can be found in the annual report "Subsidiaries" section.

We hold a 12.80 per cent stake in Industrial Bank, a Mainland national bank headquartered in Fuzhou in Fujian province, and a 20 per cent stake in Yantai Bank, a city commercial bank in Shandong province.

Hang Seng Bank is an indirectly held, 62.14 per cent-owned, subsidiary of HSBC Holdings plc.

Vision and Strategy

Our vision is to create long-term benefits for our key stakeholders by becoming the leading personal and private bank for middle-class and affluent customers in Hong Kong and on the Mainland, and the leading trade bank in Greater China. We are working to achieve this by maintaining a firm financial foundation, focusing on core growth drivers, making the most of new business 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\$7,872 million, or 45.4 per cent, to our profit before tax in 2010.

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\$3,748 million, or 21.6 per cent, to our profit before tax in 2010.

Corporate Banking

Handles relationships with large corporate and institutional customers.

Corporate Banking contributed HK\$1,266 million, or 7.3 per cent, to our profit before tax in 2010.

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\$3,361 million, or 19.4 per cent, to our profit before tax in 2010.

Other

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

Other contributed HK\$1,098 million, or 6.3 per cent, to our profit before tax in 2010.

The Major Milestones can be found in the Bank's 2010 Annual Report.



Our Performance



- Our Performance at A Glance
- Awards & Recognition

Our Performance at A Glance

FINANCIAL [#]	2010	2009	2010 vs 2009
Profit attributable to shareholders (HK\$ million)	14,917	13,138 ^{^^}	+13.5%
Earnings per share (HK\$)	7.80	6.87 ^{^^}	+13.5%
Dividends per share (HK\$)	5.20	5.20	0.0%
Retained profits (HK\$ million)	46,599	41,352	+12.7%
Operating expenses (HK\$ million)	7,355	6,676	+8.4%
Return on average shareholders' funds (%)	22.8	22.9 ^{^^}	-0.1 p.p.
Return on average total assets (%)	1.7	1.7	0 p.p.
Cost efficiency ratio (%)	33.7	32.6 ^{^^}	+1.1 p.p.
Average liquidity ratio (%)	38.1	48.1	-10.0 p.p.
Capital adequacy ratio - as at 31 Dec (%)	13.6	15.8	-2.2 p.p.
Core capital ratio - as at 31 Dec (%)	10.8	12.8	-2.0 p.p.
ECONOMIC [#]			
Tax expenses (HK\$ million)	2,428	2,262 ^{^^}	+7.3%
Employee compensation and benefits (HK\$ million)	3,717	3,378	+10.0%
SOCIAL			
Number of outlets (31 Dec)	217	221	-1.8%
Training per staff member (average number of days)	6	6	0.0%
Charitable donations and community sponsorships (HK\$ million)	~30	~29	+3.5%
Number of volunteer hours contributed	~20,000	~17,000	+17.7%
ENVIRONMENTAL			
Greenhouse gas emissions per person (tons CO ₂ /FTE) ^{Note A}	3.01	3.13	-3.76%
Greenhouse gas emissions per m ² (tons CO ₂ /m ²) ^{Note A}	0.17	0.17	-1.50%
Greenhouse gas emissions (kilotons CO ₂) ^{Note A}	23.97	24.52	-2.26%
Electricity consumption (GWh)	35.32	36.50	-3.24%
Gas consumption (GWh)	0.39	0.40	-1.36%
Water consumption ('000 m ³)	71.16 ^{Note B}	55.85	+27.40%

^{^^} This figure has been restated from 2009 Annual Report due to the adoption of amendments to Hong Kong Accounting Standard 17 'Leases'.

[#] Data coverage: Hang Seng's Hong Kong and mainland China operations.

Note A: Data is calculated and verified through HSBC Group, and is round up to 2 decimal places. Hang Seng's operations have been carbon neutral since 2007 through HSBC Group.

Note B: The rise is largely due to the installation of water-cooled chillers for the air-conditioning system at the Bank's headquarters building, which has led to a reduction in electricity consumption.

FTE: Full-time equivalent
CO₂: Carbon dioxide

m²: Square metre
GWh: Giga-watt hour

m³: Cubic metre

Awards & Recognition

Business Awards & Rankings
Best Domestic Bank in Hong Kong (for 11th consecutive year), <i>The Asset</i>
Best Local Private Bank in Hong Kong, <i>Euromoney</i>
No. 1 for Financial Reputation (Hong Kong) and No. 3 for Most Admired Company Overall (Hong Kong), <i>The Wall Street Journal Asia</i>
No. 1 for Most Committed to a Strong Dividend Policy (China and Hong Kong), <i>FinanceAsia</i>
Achievement Award for Cash Management in Hong Kong, <i>The Asian Banker</i>
Best Risk Management Bank in Asia, <i>21st Century Business Herald</i>
Wealth Management Company of the Year and Best-in-Class: Innovation of the Year - Investment Management; Online Capabilities; Training and Development, <i>Benchmark</i>
Best in Hong Kong, <i>Structured Products</i>
Best Investor Relations by Sector - Banks & Financial (Greater China), Best Investor Relations by a CFO (Hong Kong) and Best Governance and Disclosure (Hong Kong), <i>IR Magazine</i>
Best Fund (two funds managed by Hang Seng), <i>Lipper Fund Awards Hong Kong</i>
SME's Best Partner Award, <i>Hong Kong Chamber of Small and Medium Business</i>
"Trusted Brands Gold Award - Bank" and "Trusted Brands Gold Award - Credit Card Issuing Bank", <i>Reader's Digest</i>
CSR Awards & Recognition
Gold Award (Finance, Insurance and Accounting Institutions Sector), <i>Hong Kong Awards for Environmental Excellence</i>
World's first bank to achieve compliance with international occupational health and safety standard BS OHSAS 18001:2007
First local bank in Hong Kong to achieve compliance with international environmental management system standard ISO14001 at all street-level branches
As a constituent stock of the inaugural Hang Seng Corporate Sustainability Index
Tenth consecutive year as constituent of FTSE4Good Global Index
Eighth consecutive year as Hong Kong Council of Social Service 'Caring Company'
Second runner-up - 'Biggest Percentage Saver Award (Property Management)', <i>Friends of the Earth (HK) Power Smart Contest</i>



Corporate Governance



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

Corporate Governance

Hang Seng is committed to high standards of corporate governance. We follow the module on 'Corporate Governance of Locally Incorporated Authorised Institutions' issued by the Hong Kong Monetary Authority (HKMA) and fully comply with all the code provisions and most of the recommended best practices as set out in the Code on Corporate Governance Practices contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. More details can be found in the 'Corporate Governance and Other Information' section of our 2010 Annual Report.



In recognition of our efforts to maintain corporate governance excellence, we were ranked No. 3 in Hong Kong in *Euromoney's* 'Best Corporate Governance Awards' in 2010.

Board of Directors

As at 28 February 2011, the Hang Seng Bank Board comprised 15 Directors, of whom 2 are Executive Directors and 13 are Non-executive Directors. Of the 13 Non-executive Directors, 8 are Independent Non-executive Directors. Among the 15 Directors, 4 are female. Biographical details of Board members are given in the "Biographical Details of Directors" section of Hang Seng's 2010 Annual Report. The Board held 7 meetings in 2010.

The roles of Hang Seng's Chairman of the Board and Chief Executive are segregated, with a clear division of responsibilities. The Chairman of the Board 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.

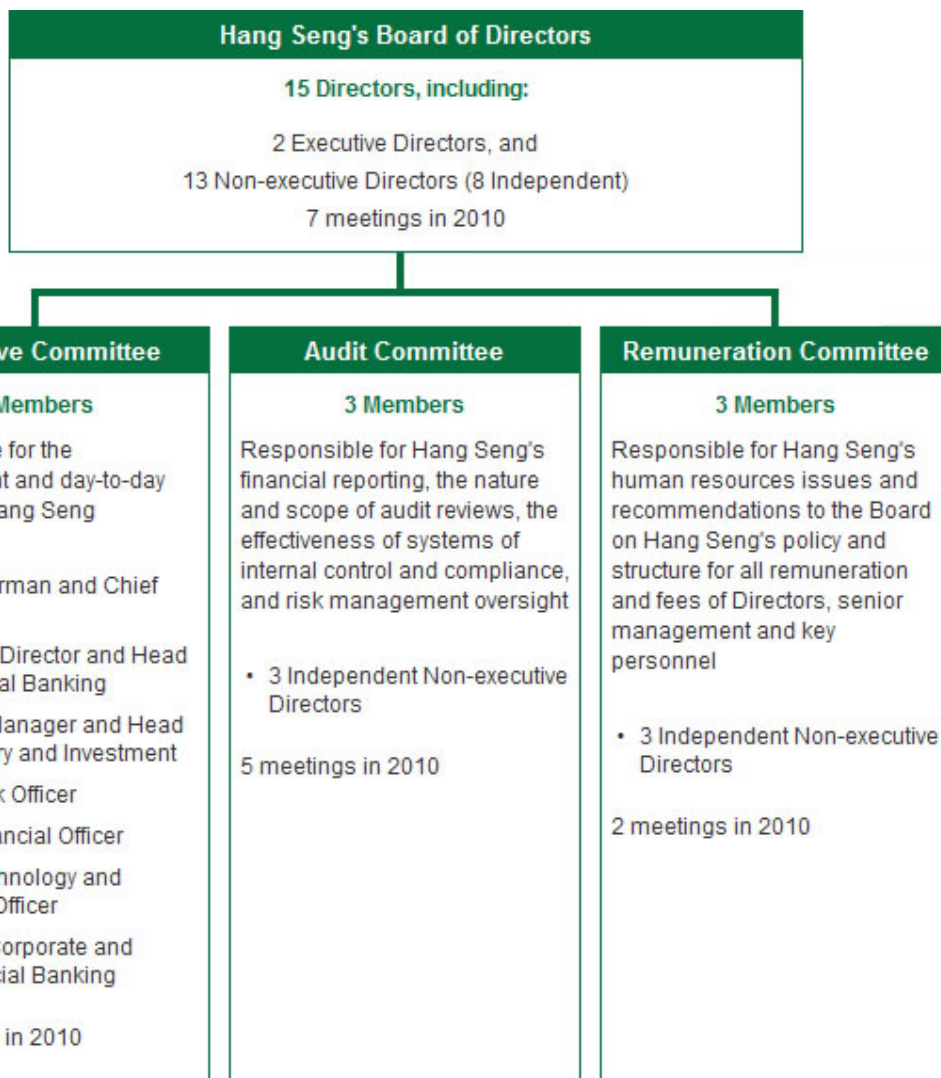
There is a strong independent element on the Board to ensure the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of Hang Seng's management.

All Directors have full and timely access to all relevant information about Hang Seng. All Non-executive Directors have access to the Executive Directors as and when they consider necessary. All Directors also have access to the Company Secretary who is responsible for ensuring that the Board procedures, and related rules and regulations are followed. In addition, each Director has separate and independent access to Hang Seng's senior management.

There are established procedures for Directors to seek independent professional advice on matters relating to Hang Seng where appropriate. All costs associated with obtaining such advice will be borne by the Bank.

Board Committees

The Board has set up 3 committees, namely, the Executive Committee, the Audit Committee and the Remuneration Committee, each of which has specific written terms of reference which set out in detail their respective authorities and responsibilities.



Hang Seng Bank (China) Limited*

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

Board of Directors

1 Executive Director, who is also Chief Executive and Deputy Chairman of Hang Seng China

7 Non-executive Directors (4 Independent Directors)

Board Meetings

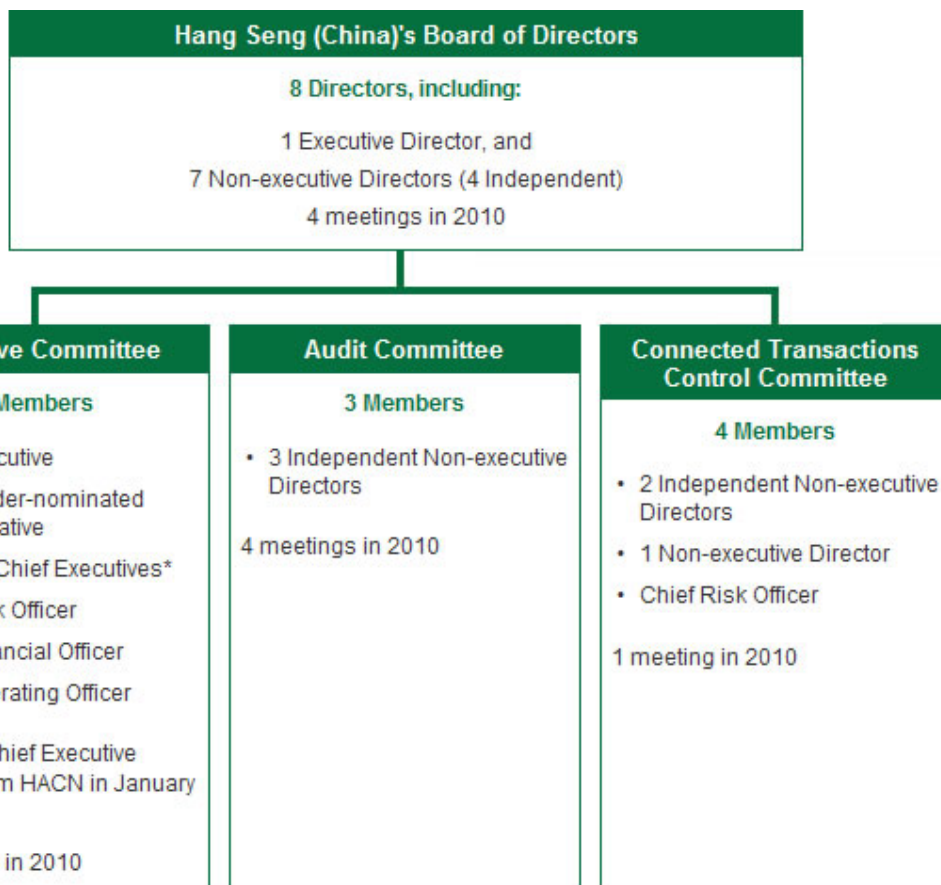
The Board held four meetings in 2010

Board Reports to

Sole shareholder, Hang Seng Bank Limited

Board Committees

The Board has established 3 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

1 supervisor, who is nominated by and reports to the shareholder
Should attend all Board meetings (attended all Board meetings in 2010)

* Hang Seng Bank (China) information provided here is a supplementary information in this Report.

Risk Management

The effectiveness of our risk management policies and strategies is a key 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.

Reporting directly to the Executive Committee, our Risk Management Committee centralises the risk management oversight function of Hang Seng and its subsidiaries. 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 '2010 Financial Statements' sections of our 2010 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 support international financing principles and sector-specific guidelines to help manage these environment-related sustainability risks (see 'Responsible Banking Services' section) We also 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 values include a solid commitment to quality, professionalism and maintaining high standards of integrity at all levels, and to ensuring that our staff comply with both the letter and spirit of all relevant laws, codes, rules, regulations and guidelines and codes of conduct. In any jurisdiction where local compliance requirements are set at a lower standard than those established by our Group policies, our higher standards will apply where these do not contravene or conflict with local law.

Staff Code of Conduct

All staff are required to strictly adhere to the Staff 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 use of information, insider dealing and personal investment dealing, personal benefits, outside directorships/employment and anti-discrimination policies.



Procedures for handling breaches of the Staff Code of Conduct are detailed in Chapter 15 of the Staff Handbook. Any non-compliance with this Code will result in disciplinary action with reference to the seriousness of the case. Should the case involve a breach of law, it will be referred to the relevant enforcement bodies for further action, which may, where applicable, give rise to criminal prosecution.

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 equal opportunities, data privacy, occupational health and safety, anti-money laundering, anti-bribery and corruption, and code of banking practice.

All employees have to complete a mandatory "Anti-Bribery and Corruption" e-Learning programme to ensure that they are familiar with the relevant laws and regulatory requirements.

The principles of the Bank's anti-corruption policies and requirements have been incorporated into its Staff Code of Conduct. All staff are required to review the Code of Conduct on an annual basis and to read relevant sections following revisions that are made from time to time during the year, thus ensuring they are familiar with the latest anti-corruption requirements. New employees are also required to acknowledge that they have read and will comply with the Staff Code of Conduct upon joining the Bank.

Insider Information and Conflicts of Interest

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

Whistle-blowing

We encourage the reporting of suspected internal business irregularities and provide clear channels specifically for this purpose.

Anti-money Laundering

We comply with high standards of anti-money laundering, counter-terrorist financing and sanctions practice in the 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.

Price Sensitive Information

We have established a robust framework for the disclosure of price-sensitive information in compliance with the Listing Rules and other regulatory requirements in this respect. The framework sets out the procedures and internal controls for the handling and dissemination of price-sensitive information in a timely manner to allow the shareholders, customers, staff and other stakeholders to apprehend the latest position of the Bank and its subsidiaries. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

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. Along with 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 such as chemicals, energy, forestry, freshwater, mining and metals (See: '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.

We actively encourage university/tertiary students to take a more environmentally friendly approach to financial management with our Green Banking Integrated Account that has been specifically designed for full-time tertiary students at local universities and institutions of tertiary education. Green Banking customers are automatically enrolled in the e-Statement service, a paperless account statement initiative. The Green Banking smart ATM card, University Affinity cards and MPOWER cards are all made of environmentally friendlier PETG materials and are valid for an extended period of 4 years to reduce the unnecessary use of resources.



The Green Banking smart ATM card is also the first ATM card in Hong Kong to be embedded with a Hongkong Post e-Cert, thereby allowing customers not only to access general ATM services, but also to securely conduct online transactions. Customers can also use the embedded e-Cert to sign PDF documents with a legally binding digital signature and perform e-mail encryption -significantly reducing the risk of data misappropriation and enhancing internet security.

Responsible Financing
<p>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:</p> <p>Forest Land and Forestry Products Sector Outlines how we will work with our customers to promote sustainable forestry practices.</p> <p>Freshwater Infrastructure Sector Aims to ensure the consistency of our involvement in freshwater infrastructure projects, particularly from the standpoint of sustainable development.</p> <p>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.</p> <p>Energy Sector Establishes sustainability standards for our involvement in this sector and for providing financial services to energy sector projects.</p> <p>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.</p>

Our Customers & 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 the continual development of our business. 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 success.

Understanding Customer Needs

The best way to serve customers is to learn more about their needs. We employ a number of proactive methods to gather information on customer opinions. 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. We analyse relevant data to identify any positive or negative trends in customer views, compliments or complaints. We operate a mystery shopping programme to monitor and ensure quality service by our frontline staff at branch outlets and MTR station offices. Regular benchmarking exercises help ensure that service standards continue to meet customer needs and expectations.

We also offer a wide variety of channels for customer-initiated feedback, including suggestion leaflets, a customer suggestions hotline, e-Banking and online channels, and in person at our branch outlets.

Independent feedback on customer satisfaction is provided through the Banking Industry Monitoring Study conducted by Oracle Added Value. In 2010, we were the most recommended bank by personal customers in Hong Kong for the 6th consecutive year.

Service Pledge

Our internal procedure manual contains clearly established service pledges and procedures to ensure service excellence in terms of factors including efficiency, accuracy and response time.

Handling Customer Feedback

Business units, frontline staff and our Quality Assurance Department are all responsible for receiving customer opinions, comments and suggestions. We have established a standardised complaint handling procedure to ensure consistent and satisfactory handling of customer feedback in compliance with internal and external (HKMA) guidelines.

QAD is an independent unit responsible for handling customer comments and assisting business units in resolving complaints.

All complaints are handled according to the guidelines and service pledges in our internal procedure manual, to ensure that all customer dissatisfaction is dealt with efficiently and effectively. All complaints are logged and thoroughly investigated. Upon receiving a complaint, QAD staff will respond by the close of business on the following working day. Should the matter require further investigation, QAD staff will endeavour to provide a full reply to the customer within 30 days. Should there be any issues identified in the process of investigation which may require remedial action, line management will take the necessary actions to address all issues concerned.

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

Customer Engagement and Customer Service Excellence

Our efforts to provide customer service excellence earned us a number of awards and accolades in 2010, including:



Service Awards

Top Service Awards - Credit Card Services, Next Magazine

Wealth Management Awards - Best Client Experience, Benchmark

JPMorgan Quality Recognition Award, JPMorgan Chase

Most Recommended Bank by Customers in Hong Kong, Oracle Added Value

SING TAO Excellent Services Brand - Banking: Branch Services Award and Excellent After-sales Services Award, Sing Tao

Hong Kong Service Awards - General Banking Services, Eastweek

Total Quality Service Regime Scheme - Top Performer Award, MTR Corporation (Kowloon Bay Prestige & Preferred Banking Centre)

Access

We are working to improve access to banking services.

Technology plays an important role in our efforts to provide a fast, secure 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.

Personal e-Banking, which celebrated its 10th anniversary in August 2010, passed a major milestone in the first half of the year - registering its 1 millionth customer. At the end of 2010, the number of Personal e-Banking customers had increased by 10.2 per cent compared with a year earlier to 1.1 million. The percentage of total personal banking transactions conducted online was up 0.7 percentage points at 52.2 per cent. We enhanced online services for business customers, resulting in a 19.3 per cent year-on-year increase in the Business e-Banking customer base and a 19 per cent rise in the number of online business customer transactions.

We continued to make good use of the mobile platform, with the launch of 2 iPhone applications. Our first application, which provides on-the-move access to securities and foreign exchange investment information, recorded about 40,000 downloads in its first month. In August, we built on this success with the launch of a first-of-its-kind foreign exchange margin trading application.

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 30.3 per cent increase in the number of accounts enrolled in the e-Statement service by the end of 2010 to reach over 435,000 and a 42.8 per cent rise in e-InvestAdvice users more than 90,000 - collectively saving over 24 million sheets of paper a 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, in line with our core values of 'providing the right product and service at the right time for the right customer in the right way' and 'ethical and fair dealings for long-lasting business'.

Supporting Local Business

Building lasting 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. Our success with these initiatives, together with steps to further improve service access and efficiency at our Business Banking Centres, saw the number of new commercial banking account openings rise by 35.2 per cent in 2010 compared with the previous year.

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. As at the end of 2010, we had lent over HK\$18.4 billion under these schemes.



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 5th consecutive award under the '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 facing 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 HKMA. 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. In 2010, we became the world's first bank to achieve compliance with international occupational health and safety standard BS OHSAS 18001:2007.

In Hong Kong's humid climate, managing indoor air quality (IAQ) and ventilation systems is an important element of our health and safety responsibilities. To ensure that the IAQ at our branches and offices meets the 'Good Class' established in the 'Guidance Notes for the Management of IAQ in Offices and Public Place' issued by Hong Kong's Environmental Protection Department, we regularly conduct IAQ measurements and, if necessary, take improvement measures.

We have implemented a wide range of measures and procedures to minimise potential safety hazards for both staff and customers, including non-slip treatments on floor surfaces and use of clear and conspicuous signage for temporary hazards such as wet floors.

To help ensure the good occupational health of our staff, we provide ergonomically designed furniture and related equipment.

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 safety risk to customers and staff arising from fire or similar emergency situations. We have appointed Fire Marshalls in all our premises and also arrange for a number of staff to acquire Qualified First Aider status for the benefit of their colleagues and customers in the event of a medical emergency or accident.

There were no workplace fatalities in 2010.

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 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 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**
- **Diversity**
- **Work-Life Balance**

Developing Our People

Business success relies on the teamwork and talents of our staff. We 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 2010, our number of full-time equivalent staff was 9,642, a year-on-year increase of 3.2 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 through 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.

Our average number of training days per member of staff in 2010 was 6, the same as in 2009.

Career Development

We have structures in place to support the personal growth and career development of our staff. Job rotation, internal recruitment, secondment and cross-posting programmes are available to provide staff with additional experience and skills development opportunities. Staff at all levels are encouraged to pursue professional or academic qualifications that benefit their job performance and career development through the Bank's Professional Qualification and Education Award Scheme. We provide information and tools through the training intranet to help staff plan their career development.

Talent Development

With the aim of providing a reliable internal pipeline of high-quality individuals to fill leadership roles in the future, succession planning is undertaken for critical positions across the Bank. High-potential individuals are identified and provided with a range of skills and career opportunities to accelerate the development of talent in support of senior management and key position succession.

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. In addition to regular programmes, 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 staff. 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 with 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 2010 was 11.6 per cent - the third lowest among major 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 through the intranet, morning broadcasts and staff newsletters. Our online HR Net channel 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. Hang Seng (China) also operates the 'Fly High' Programme to communicate future business direction and build team spirit among its staff.

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.

Since 2007 we have conducted an annual Staff Opinion Survey to help us understand the concerns and opinions of our staff. Staff can also engage in two-way communication with senior management through such initiatives as Chief Executive's Mailbox and Post-results Business Briefings. Staff 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 staff. Our employment practices do not discriminate on the grounds of sex, marital status or pregnancy, family status, colour, descent, religion, national or ethnic origin, or disability.

We have an Equal Opportunities Policy and its principles have been incorporated into the Bank's Staff Code of Conduct. Disciplinary actions may be lodged against any member of staff who breaches these policies.

Work-Life Balance

Staff who enjoy a good work-life balance are better equipped to give their best performance. We help staff manage their various commitments through initiatives including flextime arrangements, paternity leave and adoption leave.

To promote a healthy lifestyle, 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. To foster a strong team spirit and reinforce the importance of good communication and cooperation among colleagues, we organised 4 sporting tournaments in 2010 - ten-pin bowling, table tennis, basketball and football - under the Hang Seng Cup, which attracted the participation of over 700 members of staff.

Staff Statistics as at 31 December 2010

Headcount by Employment Type (in FTEs)						
	Hong Kong [#]		Mainland [^]		Total	
	Headcount	(%)	Headcount	(%)	Headcount	(%)
Full-time Permanent Staff	7,832	(97.6%)	1,487	(92.1%)	9,319.00	(96.6%)
Full-time Contract Staff	90	(1.1%)	127	(7.9%)	217.00	(2.3%)
Part-time Staff	69.61	(0.9%)	-	-	69.61	(0.7%)
Temporary Staff	36.79	(0.5%)	-	-	36.79	(0.4%)
Total	8,028.40	(100.0%)	1,614.00	(100.0%)	9,642.40	(100.0%)

Headcount by Gender [^] (in FTEs)						
	Executive	Officer	Clerical	Non-clerical	Total	(%)
Hong Kong[#]						
Male	552	1,525	889	240	3,206	(40.5%)
Female	476	1,817	2,272	151	4,716	(59.5%)
Total :	1,028	3,342	3,161	391	7,922	(100.0%)
Mainland[^]						
Male	122	182	213	21	538	(33.3%)
Female	101	372	600	3	1,076	(66.7%)
Total :	223	554	813	24	1,614	(100.0%)
Overall						
Male	674	1,707	1,102	261	3,744	(39.3%)
Female	577	2,189	2,872	154	5,792	(60.7%)
Overall Total	1,251	3,896	3,974	415	9,536	(100.0%)



Average Age*					
	Executive	Officer	Clerical	Non-clerical	Overall
Hong Kong [#]	42	36	37	49	38
Mainland [^]	40	31	27	39	31
Overall	42	36	35	49	37

Average Years of Service*					
	Executive	Officer	Clerical	Non-clerical	Overall
Hong Kong [#]	12	12	13	14	12
Mainland [^]	6	3	2	5	3
Overall	11	10	11	14	11

FTE = full-time equivalent

* excluding part-time and temporary staff

including Macau/overseas operations (0.75% of the total headcount of Hang Seng Bank)

^ Hang Seng (China)

Our Green Initiatives



- **Green Certification**
- **Green Community Programme**
- **Biodiversity**
- **Caring for the Environment**
- **Environmental Performance**

We operate our business in an environmentally responsible manner. We are working to reduce the negative environmental impacts of our own operations and participate in activities that positively influence the environmental practices of our staff, customers and the wider community.

Green Certification

Our Environmental Management Committee implements and monitors our environmental system. We achieved ISO 14001 compliance at our headquarters building in 2005 - making us the first local financial institution in Hong Kong to receive such accreditation - and have since attained certification for our Hang Seng Tower and MegaBox offices and all our street-level bank branches. Our Hong Kong operations have been carbon neutral since 2007.



Green Community Programme

Launched jointly with the Federation of Hong Kong Industries, the Hang Seng Pearl River Delta Environmental Awards are part of our commitment to working with the business community on environmental issues. By recognising the green achievements of participants, the Awards encourage manufacturing companies in Hong Kong and the Pearl River Delta region to enhance their environmental performance. The 144 companies that took part in the 2009/10 Awards submitted a total of 555 environmental projects - a 40 per cent increase on the previous year. The collective impact of the projects includes reducing waste by about 140,000 tonnes and cutting electricity consumption by over 97 million kWh.



In October, staff volunteers travelled to Yunnan province to inspect a Bank-sponsored project organised by The Conservancy Association, under which 600 biogas toilets are providing renewable energy to about 2,400 people in local villages - saving approximately 1,500 tonnes of firewood per year (equivalent to about 375 acres of forest) and cutting annual carbon dioxide emissions by 7,500 tonnes. The Bank has now sponsored the construction of 1,100 biogas toilets in Yunnan, benefitting more than 4,600 people.



As part of a three-year partnership with Friends of the Earth (HK), we planted 10,000 trees in Tuen Mun in 2010 and are helping to maintain the reforestation site. During The Conservancy Association's Tree Caring Day, staff volunteers and their families helped tidy up a Bank-sponsored reforestation site in Ma On Shan. Since 1999, we have facilitated the planting of 70,000 trees in country parks in Hong Kong.



Biodiversity

We are playing our part in helping to conserve biodiversity. We comply with the sustainability principles set out in the WWF Hong Kong's Seafood Guide. We stopped serving shark's fin at Bank functions in 2003, and have since extended this policy to include endangered reef fish species and black moss.



Caring for the Environment

We recycled more than 15,200 toner cartridges and over 2,800 items of computer equipment in 2010. We promoted green messages to staff through various channels, including talk, trainings, newsletters, in-house broadcasts, and environmentally-themed outings. We continued our tradition of making a donation to charity in lieu of sending Christmas cards.

We are a participant 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.



Environmental Performance

	Unit	2010	2009	2008
GHG Emissions (CO₂ equivalent)*				
Electricity	tons	23,681.08	24,203.23	27,605.68
Employee Travel	tons	238.32	259.03	314.86
Other Fuel Sources (gas, LPG and diesel)	tons	46.38	62.10	31.96
Total	tons	23,965.79	24,524.36	27,952.50
Resources Consumption				
Electricity	GWh	35.32	36.50	39.51
Other Fuel Sources (gas, LPG and diesel)	GWh	0.52	0.60	0.43
Water	000 m ³	71.16 [#]	55.85	50.88
Paper ⁺	tons	2,052.00	-	-
- Compliant	%	81.61	-	-
- Near-compliant	%	5.41	-	-
- Non-compliant	%	12.98	-	-
Waste Disposed to Landfill				
Confidential (non-paper)	tons	-	-	8.66
General Office	tons	385.57	466.00	334.11
IT and Electrical	tons	0.31	2.97	13.43
Total	tons	385.88	468.97	356.20
Waste Collected for Recycling				
Cans	tons	0.22	0.12	0.03
Confidential (non-paper)	tons	5.51	4.90	0.99
General Office	tons	48.23	153.66	349.43
IT and Electrical	tons	50.84	85.03	64.97
Mixed Paper and Cardboard	tons	809.67	688.89	715.53
- Plastic	tons	0.76	0.17	0.03
Total	tons	915.23	932.79	1,130.98

Data coverage: Hang Seng Bank's Hong Kong operations. Data is round up to 2 decimal places.

* Data is calculated and verified through HSBC Group. Hang Seng's operations have been carbon neutral since 2007 through HSBC Group.

The rise is largely due to the installation of water-cooled chillers for the air-conditioning system at the Bank's headquarters building, which has led to a reduction in electricity consumption.

+ Paper

- Compliant Paper: Virgin, partially recycled or 100% recycled paper certified by an approved scheme, e.g. FSC.
- Near-compliant Paper: Paper that includes virgin pulp coming from low-risk countries and/or recycled sources that are not part of approved schemes.
- Non-compliant Paper: All other types of paper.

Key:

CO₂: Carbon dioxide

GWh: Giga-watt hour

m³: Cubic metre

Our Community



- **Deep Community Roots**
- **Leadership Through Education**
- **Providing Sporting Inspiration**

As a good corporate citizen in Hong Kong, we have a responsibility to raise awareness of social and environmental issues among our staff and the general public, and to support community development initiatives.

Deep Community Roots

Over the past decade, we have provided more than HK\$207 million in donations and community sponsorships - including about HK\$30 million in 2010 - to support various educational, environmental, social welfare and sports development programmes.

We also give back through volunteer service, with members of staff and their family members collectively spending about 20,000 hours to serve the community in 2010. The Bank organised more than 100 volunteer activities - including craft and cooking workshops for underprivileged children, festive lunches for the elderly, and environmental and conservation activities.

We are a long-term supporter of The Community Chest of Hong Kong, which provides funding for 148 charities in Hong Kong, making more than HK\$28 million in donations over the past decade. Matching staff contributions on a dollar-for-dollar basis, we raised about HK\$1.2 million for The Chest's annual Dress Special Day campaign in 2010.

Our e-Donation channel makes it easier for customers to offer financial support to those in need, with about HK\$2.4 million in donations reaching 60 charitable organisations in Hong Kong through this online service in 2010. More than HK\$19 million has been donated to deserving causes since the service was launched in December 2001.

Leadership Through Education

With our desire to contribute to a better future for our communities, we place a strong emphasis on youth development programmes. In 2010, we allocated over HK\$6 million to educational initiatives, with over 150,000 young people benefitting from more than 30 Bank-supported programmes.

Since 1995, we have given out more than HK\$54 million under various scholarship schemes, providing financial support for about 1,500 outstanding students from Hong Kong and mainland China - including 190 in 2010.

We worked with the Hong Kong Federation of Youth Groups to produce the 'Hang Seng Bank Leaders to Leaders Lecture Series', which gives secondary school children the chance to engage in direct dialogue with prominent community and business leaders. With the theme of 'Hong Kong Today - Pass on the Wonders of Hong Kong', over 300 students took part in each of the 10 lectures organised under the series in 2010.

Designed to help raise awareness about crime-related issues and reduce criminal activity among young people, the biennial 'Hang Seng Bank - Help the Police Fight Youth Crime Competition' received a record 140,000 entries in 2010.

We continued to sponsor the Ming Pao Student Reporter Programme, which uses media training activities to improve participants' critical thinking and language skills as well as promote a better understanding of current affairs.

In collaboration with The Pathways Foundation, we helped children with specific learning disabilities and attention deficit/hyperactivity disorders explore their potential and alternative ways of learning through a programme of after-school activities and family workshops.

In partnership with the Regeneration Society, we promoted the importance of positive life values and attitudes through the Hang Seng Bank Regeneration Society Top Ten Regeneration Warriors Competition, which highlighted the stories of 10 'Regeneration Warriors' who had overcome chronic illness to live rewarding lives.

The arts enrich communities by providing a variety of channels through which to express and exchange different social, cultural and philosophical ideas. Since 2007, our sponsorship of various student ticket schemes has helped open up access to artistic performances for more than 45,000 young people.

Providing Sporting Inspiration

Through the Hang Seng Athlete Incentive Awards Scheme (Scheme), a joint initiative with the Hong Kong Sports Institute, we provide financial support for top local athletes, who not only bring honour to Hong Kong but also offer lessons about the importance of commitment, determination and teamwork.



Having extended our sponsorship of the Scheme to include local medalists at the 2010 Asian Games and Asian Para Games held in Guangzhou, we were proud to award about HK\$11 million to 82 athletes and 25 parathletes who returned home triumphant from these Games and serve as role models for future generations of sportsmen and sportswomen. Since 1996, the Scheme has given over HK\$26.6 million to outstanding athletes.

We help hone the talents of rising young stars of table tennis, providing a total of HK\$31 million since 1991 to fund training and development programmes for players and coaches. The Hang Seng Table Tennis Academy - which will celebrate its 10th anniversary in 2011 - gave over 22,000 individuals the opportunity to participate in a wide range of table tennis activities in 2010. With the objective of using participation in sport to build confidence and self-esteem, we invited more than 300 underprivileged children to participate in two table tennis fun days held at our Penthouse and hosted by Bank volunteers.





Assurance Statement



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Assurance Statement

SustainAsia Ltd has been commissioned by Hang Seng Bank Limited (HASE) to provide independent verification of HASE's 2010 Corporate Responsibility (CR) Report.

Scope of verification and methodology

The verification process was performed over the April – May 2011 period and its objectives were to provide an independent opinion on the completeness and overall quality of the 2010 CR Report, as well as the accuracy and robustness of the information presented therein. We also reviewed the report against the standard disclosure requirements of the Global Reporting Initiative (GRI) G3.1 sustainability reporting guidelines and Financial Services Sector Supplement.

SustainAsia's scope of verification was limited to the information presented in the 2010 CR Report and excluded financial information.

SustainAsia has selected a representative sample of data and statements in the report (English version) for verification, through applying AccountAbility's Five Part Materiality Test. The verification was conducted through desktop review of report content, questionnaires, documentation review and interviews of designated HASE personnel.

As a result of this verification process, SustainAsia has made some observations and suggested minor adjustments and amendments to the original draft report. We have also made recommendations to improve HASE's CR management and reporting system.

Conclusion

Within the scope of our assignment, we have assessed the quantitative data and qualitative statements sampled from HASE's 2010 CR Report and verified their accuracy. We consider this report a balanced, comprehensive and accurate presentation of Hang Seng Bank's CR performance in 2010 and that the report meets the GRI B+ application level.

Christophe Bongars
Chief Executive Officer, SustainAsia Ltd
Hong Kong, 23rd May 2011

GRI INDEX

Strategy and analysis

1.1	Statement from the most senior decision-maker of the organisation.	Corporate Responsibility Report: <i>Chief Executive's Message</i>
1.2	Description of key impacts, risks, and opportunities.	Corporate Responsibility Report: <i>Our Approach</i>

Organisational profile

2.1	Name of the organisation.	Corporate Responsibility Report: <i>About This Report</i>
2.2	Primary brands, products, and/or services.	Corporate Responsibility Report: <i>Our Business</i>
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Corporate Responsibility Report: <i>Our Business</i>
2.4	Location of organisation's headquarters.	Corporate Responsibility Report: <i>About This Report</i>
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Corporate Responsibility Report: <i>Our Business</i>
2.6	Nature of ownership and legal form.	Corporate Responsibility Report: <i>Our Business</i>
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Corporate Responsibility Report: <i>Our Business</i>
2.8	Scale of the reporting organisation.	Corporate Responsibility Report: <i>Our Business</i>
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	None in 2010
2.10	Awards received in the reporting period.	Corporate Responsibility Report: <i>Our Performance</i>

Report Parameters

3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Corporate Responsibility Report: <i>About This Report</i>
3.2	Date of most recent previous report (if any).	Corporate Responsibility Report: <i>About This Report</i>
3.3	Reporting cycle (annual, biennial, etc.)	Corporate Responsibility Report: <i>About This Report</i>
3.4	Contact point for questions regarding the report or its context.	Corporate Responsibility Report: <i>About This Report</i>
3.5	Process for defining report content.	Corporate Responsibility Report: <i>Our Approach</i>
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Corporate Responsibility Report: <i>About This Report</i>
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Corporate Responsibility Report: <i>About This Report</i>
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Same as last year
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Same as last year
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Nil, no need to re-state
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	No significant change occurred
3.12	Table identifying the location of the Standard Disclosures in the report.	Corporate Responsibility Report: <i>Additional Information</i>
3.13	Policy and current practice with regard to seeking external assurance for the report.	Corporate Responsibility Report: <i>Additional Information</i>

Governance, Commitments, and Engagement

4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Corporate Responsibility Report: <i>Corporate Governance</i>
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Responsibility Report: <i>Corporate Governance</i>
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Responsibility Report: <i>Corporate Governance</i>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Responsibility Report: <i>Our People</i>
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	Annual Report pages 80-95: <i>Biographical Details of Directors</i> and page 132 <i>Directors' Emoluments</i>
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Annual Report page 33-34: <i>Responsibilities of Directors</i>
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Annual Report page 32: <i>Board Composition</i>
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Annual Report pages 32-38: <i>Corporate Governance and Other Information</i> ; Corporate Responsibility Report: <i>Chief Executive's Message; Our Approach; Our Staff; Our Green Initiatives and Our Community</i>
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Annual Report pages 32-38: <i>Corporate Governance and Other Information</i> ; Corporate Responsibility Report: <i>Our Approach</i>
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Annual Report pages 35-38: <i>Remuneration Committee and Remuneration of Directors, Senior Management and Key Personnel</i>
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Corporate Responsibility Report: <i>Corporate Governance - Risk Management</i>
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Corporate Responsibility Report: <i>Chief Executive's Message, Corporate Governance – Responsible Banking Services; Our Green Initiatives</i>
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Annual Report pages 80-95: <i>Biographical Details of Directors and Senior Management</i>
4.14	List of stakeholder groups engaged by the organisation.	Annual Report page 40: <i>Communication with Shareholders</i> and Corporate Responsibility Report: <i>Our Approach - Stakeholder Engagement</i>
4.15	Basis for identification and selection of stakeholders with whom to engage.	We don't explicitly report a process for identifying stakeholders. Our stakeholders are referenced throughout the Corporate Responsibility Report.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Annual Report page 40: <i>Communication with Shareholders</i> ; Corporate Responsibility Report: <i>Our Approach</i>
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Corporate Responsibility Report: <i>Our Approach</i>

Economic

	Disclosure on management approach	Corporate Responsibility Report: <i>Our Approach; Corporate Governance</i>
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Corporate Responsibility Report: <i>Our Business; Our Performance</i>
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Corporate Responsibility Report: <i>Our Green Initiatives</i> (Partial disclosed)
EC3	Coverage of the organization's defined benefit plan obligations.	Not disclosed
EC4	Significant financial assistance received from government.	None from 2010
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not disclosed
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not disclosed
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Annual Report pages 33: <i>Board of Directors - Appointment, Re-election and Removal</i>
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Corporate Responsibility Report: <i>Our Community</i> (Partial disclosed)
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not disclosed

Environmental

	Disclosure on management approach	Corporate Responsibility Report: <i>Our Approach; Corporate Governance; Our Green Initiatives</i>
EN1	Materials used by weight or volume.	Corporate Responsibility Report: <i>Our Green Initiatives</i>
EN2	Percentage of materials used that are recycled input materials.	Corporate Responsibility Report: <i>Our Green Initiatives</i>
EN3	Direct energy consumption by primary energy source.	Corporate Responsibility Report: <i>Our Green Initiatives; Our Performance</i>
EN4	Indirect energy consumption by primary source.	Corporate Responsibility Report: <i>Our Green Initiatives</i>
EN5	Energy saved due to conservation and efficiency improvements.	Not disclosed
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Not disclosed
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not disclosed
EN8	Total water withdrawal by source.	Corporate Responsibility Report: <i>Our Green Initiatives</i>
EN9	Water sources significantly affected by withdrawal of water.	Not applicable - due to the nature of our industry
EN10	Percentage and total volume of water recycled and reused.	Not applicable - due to the nature of our industry
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not applicable - given the nature of our business with its urban centre locations, not a material issue for our direct operations.
EN12	Significant impacts on biodiversity in protected areas, habitats protected or	Not applicable - given the nature of our business with its urban centre locations, not a material issue for our direct operations.
EN13	restored, managing impacts on biodiversity, and species with extinction risk	
EN14	affected	
EN15		
EN16	Total direct and indirect greenhouse gas emissions by weight.	Corporate Responsibility Report: <i>Our Green Initiatives</i> (Partial disclosed)
EN17	Other relevant indirect greenhouse gas emissions by weight.	Corporate Responsibility Report: <i>Our Green Initiatives</i>

EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not disclosed
EN19	Emissions of ozone-depleting substances by weight.	Not applicable - due to the nature of our industry
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not applicable - due to the nature of our industry
EN21	Total water discharge by quality and destination.	Not disclosed
EN22	Total weight of waste by type and disposal method.	Corporate Responsibility Report: <i>Our Green Initiatives</i>
EN23	Total number and volume of significant spills.	Not applicable - due to the nature of our industry
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not applicable - due to the nature of our industry
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not applicable - due to the nature of our industry
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Corporate Responsibility Report: <i>Corporate Governance; Our Customers & Suppliers</i>
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not applicable - due to the nature of our industry
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None from 2010
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not disclosed
EN30	Total environmental protection expenditures and investments by type.	Not disclosed

Social: Labour Practices and Decent Work

	Disclosure on management approach	Corporate Responsibility Report: <i>Our Approach; Our Staff</i>
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Corporate Responsibility Report: <i>Our Staff</i>
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Not disclosed
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not disclosed
LA4	Percentage of employees covered by collective bargaining agreements.	Not disclosed
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not disclosed
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not disclosed
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	No workplace fatalities in 2010
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Not disclosed
LA9	Health and safety topics covered in formal agreements with trade unions.	Not disclosed
LA10	Average hours of training per year per employee by gender, and by employee category.	Corporate Responsibility Report: <i>Our Staff</i> (Partial disclosed)
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Corporate Responsibility Report: <i>Our Staff</i>
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Not disclosed

LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Not disclosed
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not disclosed
LA15	Return to work and retention rates after parental leave, by gender.	Not disclosed

Social: Human Rights

	Disclosure on management approach	Corporate Responsibility Report: <i>Our Approach; Our Staff; Our Relationships with Suppliers</i>
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Not disclosed
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Not disclosed
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not disclosed
HR4	Total number of incidents of discrimination and actions taken.	None in 2010
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not disclosed
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	None in 2010
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	Not disclosed
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not disclosed
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not disclosed
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not disclosed
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not disclosed

Social: Society

	Disclosure on management approach	Corporate Responsibility Report: <i>Our Approach; Corporate Governance; Our Customers & Suppliers; Our Community</i>
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Corporate Responsibility Report: <i>Our Customers & Suppliers; Our Community</i>
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Not disclosed
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not disclosed
SO4	Actions taken in response to incidents of corruption.	Not disclosed
SO5	Public policy positions and participation in public policy development and lobbying.	Not disclosed
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not disclosed
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	Not disclosed

SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not disclosed
SO9	Operations with significant potential or actual negative impacts on local communities.	Not disclosed
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not disclosed

Social: Product Responsibility

	Disclosure on management approach	Corporate Responsibility Report: <i>Our Approach; Our Customers & Suppliers</i>
PR1 PR2	Health and safety impacts of products and services and incidents of non-compliance	Not disclosed
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not disclosed
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	Not disclosed
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Corporate Responsibility Report: <i>Our Customers & Suppliers</i>
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Not disclosed
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not disclosed
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not disclosed
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not disclosed

Financial Services Sector Supplement

FS1	Policies with specific environmental and social components applied to business lines.	Corporate Responsibility Report: <i>Corporate Governance</i>
FS2	Procedures for assessing and screening environmental and social risks in business lines.	Corporate Responsibility Report: <i>Corporate Governance</i>
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Corporate Responsibility Report: <i>Corporate Governance; Our Customer and Supplier</i>
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Corporate Responsibility Report: <i>Corporate Governance</i>
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	Corporate Responsibility Report: <i>Corporate Governance; Our Customer and Supplier</i>
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	Corporate Responsibility Report: <i>Our Business</i>
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Not disclosed
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Not disclosed
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Corporate Responsibility Report: <i>Corporate Governance – Risk Management</i>
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	We do not report publicly on this indicator - All subsidiaries are covered by the Group sustainability policies

FS11	Percentage of assets subject to positive and negative environmental or social screening.	Not disclosed
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	Not disclosed
FS13	Access points in low-populated or economically disadvantaged areas by type.	Not applicable due to Hang Seng's operation is mainly in Hong Kong
FS14	Initiatives to improve access to financial services for disadvantaged people.	Corporate Responsibility Report: <i>Our Customers and Suppliers</i>
FS15	Policies for the fair design and sale of financial products and services.	Corporate Responsibility Report: <i>Our Business</i>
FS16	Initiatives to enhance financial literacy by type of beneficiary	Corporate Responsibility Report: <i>Our Community</i>