




HANG SENG BANK

# *Our Commitment*



**2011 Corporate Responsibility Report**



# About This Report

# 2011

## Report Profile

The Hang Seng Bank Corporate Responsibility Report (CR Report) provides 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.

This Report describes the Bank's efforts to support the principles of sustainable development during the calendar year of 2011. The Report focuses on the economic, environmental and social issues that contribute to the sustainability of Hang Seng and that are of interest to stakeholders. The Report supplements the 'Corporate Responsibility' section of the Bank's 2011 Annual Report.

## Report Scope

The content of this Report was defined 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 2011.

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

## Reporting Period

Financial accounts data are for the financial year 1 January 2011 to 31 December 2011. Other information covers the same period unless otherwise stated.

## Report Coverage

This Report covers Hang Seng's Hong Kong operations unless otherwise stated. Hang Seng's mainland China business operations are excluded. The 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 employees, 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 Bank's 2010 CR Report unless otherwise stated. The Report has been compiled with reference to the internationally recognised Global Reporting Initiative (GRI G3.1) sustainability reporting guidelines.

## Assurance

This Report has been independently verified and has achieved a GRI application level of A+. Click here for the assurance statement issued by the verifier.

## Collection of data

Collection of data for this Report has been coordinated by the Bank's CSR Sustainers through consultation with relevant teams and individuals. Hang Seng has published an annual online CR Report since 2006. Hang Seng's last CR Report was published in May 2011.

Archived CR Reports are available on the Hang Seng Bank website.  
(<http://bank.hangseng.com/1/2/about-us/corporate-responsibility>)

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We value your feedback on our CR reporting.

## Important Message to Readers and Internet Privacy Policy Statement

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## Chief Executive's Message



Corporate responsibility has been at the heart of Hang Seng Bank's operating philosophy since our establishment in 1933. While the terminology may have changed over the years, a strong commitment to achieving business success while contributing to community betterment remains one of our core values.

Our corporate responsibility report (CR Report) details our aspirations and achievements in building a sustainable business that reflects the needs and expectations of our stakeholders.

Hang Seng's reputation as a local leader in promoting sustainability relies on our efforts to continually improve our performance and the credibility of the information we report. In our 2010 CR Report, we became the first local bank in Hong Kong to apply the internationally recognised Global Reporting Initiative (GRI) sustainability reporting guidelines. I am delighted to announce that our 2011 CR Report has achieved a GRI application level of A+ – the highest available rating. This is a concrete reflection of our determination to 'walk the talk' in sustainability best practice.

In September 2011, we were the first local bank to be made a constituent stock of the Dow Jones Sustainability Asia-Pacific Index. We have been a constituent member of the FTSE4Good Global Index for over a decade and of the Hang Seng Corporate Sustainability Index since its launch in 2010.

Other achievements in 2011 include becoming the first local bank to attain ISO 14001 certification, which assesses environmental management systems, for all our offices and branches in Hong Kong. Our efforts to encourage companies in the Pearl River Delta region to improve their environmental performance through the Hang Seng Pearl River Delta Environmental Awards were recognised with the overall Most Creative Campaign Award and a Certificate of Merit in the corporate social responsibility category at the Hong Kong Public Relations Awards organised by the Hong Kong Public Relations Professionals' Association.

Our emphasis on building strong internal and external relationships through service excellence continues to reap rewards. A trusted financial partner to over half of Hong Kong's adult population and the most recommended bank by customers in Hong Kong, our banking services were independently verified as being the highest rated in the local market for the seventh consecutive year.

Our volunteer team expanded its activities, recording around 25,000 hours in community service – an increase of about 30% compared with 2010. Over the past decade, we have allocated more than HK\$217m in donations and community sponsorships – including about HK\$25m in 2011 – to a wide range of educational, environmental, social welfare, sports development and arts programmes.

I will retire from my position as Vice-Chairman and Chief Executive and from the Board of Directors in May 2012. It has been an honour to lead Hang Seng since 2009 and to be part of a team that champions sustainability and world-class service as key principles for business growth.

I would like to take this opportunity to wish my successor Ms Rose Lee – who is currently a Non-executive Director of Hang Seng – every success in her new position.

Uncertainty in the international economy will continue to create challenges for business in Hong Kong and mainland China in the year ahead. Against this backdrop, corporate credibility will play an increasingly prominent role in maintaining existing business relationships and building new ones. Hang Seng's strong emphasis on sustainable practices that create value for stakeholders will support its long-term growth and success.

**Margaret Leung**  
Vice-Chairman and Chief Executive  
April 2012





- > **Continual Improvement**
- > **Hang Seng's CR Matrix**

Ensuring corporate responsibility is a central element in our decision-making and actions is a vital part of what makes us a market leader.

Managing sustainability issues requires balancing a diverse range of views and expectations but, simply stated, we strive for sustainable growth based on performing better every day for customers, colleagues and the community by putting service excellence at the heart of everything we do.

Hang Seng is an organisation that 'walks the talk' in being a good corporate citizen.

Our definition of success is to be a profitable, growing business by exceeding the expectations of our stakeholders through service excellence based on core values that include integrity, leadership and financial strength.

Achieving such success is best served by embedding our vision of corporate responsibility deep in the fabric of our operations and finding new and better ways to engage our customers, colleagues and local communities (see box: Hang Seng's CR Matrix). We believe how we do business is as important as what we do in mapping out our strategy for long-term growth.

This holistic approach supports good risk management, helps us identify areas in which we can enhance efficiency and generates new business opportunities. It also offers us a competitive advantage as stakeholders place increasing emphasis on the social and environmental – as well as economic – performance of companies in the financial services industry.

## Continual Improvement

Good corporate citizenship is not an end goal, but an ongoing process that requires monitoring, maintenance and a willingness to strive for continual improvement. We have worked hard to bring our sustainability reporting in line with the internationally recognised GRI guidelines – enabling us to evaluate our progress in a standardised manner and benchmark our performance against leading financial institutions around the world.

We aim to ensure every member of our team plays an active part in keeping corporate responsibility at the centre of our business culture. In 2011, we took this one step further by appointing CSR Sustainers among senior members of staff throughout our organisation (see box: CSR Sustainers: Building Responsibility From Within).

### Stakeholder Engagement

Building a sustainable business rests in large part on our ability to understand the diverse needs and priorities of a range of stakeholders that includes customers, staff, shareholders, regulators, suppliers and the wider community. We use a variety of top-down and bottom-up approaches to facilitate open exchange in ways that emphasise stakeholder engagement rather than stakeholder management.

In striving for a participatory process we aim to better manage risk, maintain our market leadership through the early identification of and response to emerging trends, and strike a good balance in addressing a diverse range of expectations, views and objectives, with the overarching goal of optimising long-term outcomes for our business and our stakeholders.

In addition to GRI requirements, the content and structure of our 2011 CR Report reflects a number of other factors, including:

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

Our commitment to implementing sustainability best practices to provide world-class service differentiates us from our peers and will continue to be the primary driver of our long-term business success.

### CSR Sustainers: Building Responsibility From Within

To further strengthen employee support for our approach to corporate responsibility, in 2011 we appointed CSR Sustainers among senior members of staff throughout our organisation. Key responsibilities of these individuals include:

- Ensuring that our day-to-day business operates in line with our sustainability beliefs
- Collecting and recording data to facilitate corporate responsibility reporting
- Taking the lead in developing and promoting new sustainability initiatives

Other steps taken to enhance internal buy-in include holding two corporate responsibility forums in which NGOs were invited to share their thoughts on the value and structure of corporate involvement in community development.



## Sustainable Business Success: Keystone Principle and Core Values

How we do business reflects our core values and is an important part of what helps differentiate us from our peers. These values underlie our decision making, policies and actions. They also provide the foundation that supports our keystone principle – an unwavering commitment to service excellence.

### Keystone Principle

**Service Excellence:** Achieving service excellence in all our stakeholder relationships is the keystone of our strategy for long-term business success.

### Core Values

**Courageous Integrity:** We act with courageous integrity in all we do, standing firm for what is right, regardless of any pressure to act differently. We make decisions without fear but without ever compromising the high ethical standards and integrity on which our business is built. Our people are dependable, open to different ideas and cultures, and connected to our customers, communities and each other (see box: Dependable, Open, Connected in the 'Our Commitment: Staff' section of this Report)

**Financial Strength:** Maintaining strong financial fundamentals gives us the ability to create long-term value for shareholders and make the best possible contribution to community betterment through economic growth and support of social and environmental development.

**Leadership:** We are a market leader in key areas of banking business and aspire to be the preferred 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 work hard to maintain our reputation as a local pioneer in business best practice and as an innovator in product and service development. We lead by example in considering sustainability and corporate responsibility issues.

**Transparency and Clear Communication:** Our credibility is closely tied to quality of the information we provide to stakeholders. We continue to develop new and effective ways to engage stakeholders to better understand their priorities and concerns and to communicate clearly about all aspects of our business. We establish long-term partnerships based on the loyalty and trust we build through championing open dialogue.

## Hang Seng's CR Matrix

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

### Our CSR Model/Matrix





- > Who We Are
- > What We Do

## Who We Are

Founded in 1933, Hang Seng Bank is one of Hong Kong's largest listed companies and among the 50 largest listed banks in the world in terms of market capitalisation (HK\$176.2bn as at the end of December 2011).

In Hong Kong, we serve over half the adult population through about 220 service outlets. We also maintain a branch in Shenzhen for foreign currency wholesale business, branches in Macau and Singapore, and representative offices in Xiamen and Taipei.

Established in 2007 and headquartered in Shanghai, wholly owned mainland China subsidiary Hang Seng Bank (China) Limited operates a network of 42 outlets in Beijing, Shanghai, Guangzhou, Shenzhen, Dongguan, Fuzhou, Nanjing, Hangzhou, Ningbo, Tianjin, Kunming, Foshan, Zhongshan, Huizhou and Xiamen.

A list of our principal subsidiaries as at 31 December 2011 and as defined in Section 2 of the Hong Kong Companies' Ordinance can be found in Note 37 of the 'Notes to the Financial Statements' in our 2011 Annual Report.

We hold a 12.8% stake in Industrial Bank Co., Ltd, a Mainland national bank headquartered in Fuzhou in Fujian province, and a 20% stake in Yantai Bank Co., Ltd, a city commercial bank in Shandong province.

We are an indirectly held, 62.14%-owned, subsidiary of HSBC Holdings plc, and a principal member of the HSBC Group – one of the world's largest banking and financial services organisations.



## What We Do

### Customer Groups

Our business is structured into Retail Banking and Wealth Management, Commercial Banking, Corporate Banking, Treasury and Other.

### Retail Banking and Wealth Management

Retail Banking and Wealth Management 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.

Retail Banking and Wealth Management contributed HK\$6,623m, or 34.5%, to our profit before tax in 2011.

### Commercial Banking

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

Commercial Banking contributed HK\$5,031m, or 26.2%, to our profit before tax in 2011.

### Corporate Banking

Corporate Banking handles relationships with large corporate and institutional customers.

Corporate Banking contributed HK\$1,843m, or 9.6%, to our profit before tax in 2011.

### Treasury

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

Treasury contributed HK\$4,227m, or 22%, to our profit before tax in 2011.

### Other

Other mainly represents the management of shareholders' funds and investments in premises, investment properties and equity shares.

Other contributed HK\$1,489m, or 7.7%, to our profit before tax in 2011.

Business milestones for 2011 can be found in the 'Major Milestones' section of our 2011 Annual Report.





- > Our Performance at A Glance
- > Business Awards and Recognition

We seek to serve our stakeholders by achieving business growth that is based on solid financial fundamentals and the four CR pillars that inform our decisions as a good corporate citizen.

## Our Performance at A Glance

FINANCIAL <sup>#</sup>	2011	2010	2011 vs 2010
Operating profit (HK\$b)	14.2	14.1	+0.7%
Profit attributable to shareholders (HK\$b)	16.7	14.9	+11.8%
Shareholders' funds (HK\$b)	78.8	70.0	+12.5%
Total assets (HK\$b)	975.4	916.9	+6.4%
Total liabilities (HK\$b)	896.7	846.9	+5.9%
Earnings per share (HK\$)	8.72	7.80	+11.8%
Dividends per share (HK\$)	5.20	5.20	0.0%
Return on average shareholders' funds (%)	22.6	22.8	-0.2 p.p.
Return on average total assets (%)	1.8	1.7	+0.1 p.p.
Cost efficiency ratio (%)	35.0	33.7	+1.3 p.p.
Average liquidity ratio (%)	33.6	38.1	-4.5 p.p.
Capital adequacy ratio – as at 31 Dec (%)	14.3	13.6	+0.7 p.p.
Core capital ratio – as at 31 Dec (%)	11.6	10.8	+0.8 p.p.
<b>ECONOMIC<sup>#</sup></b>			
Tax expenses (HK\$b)	2.5	2.4	+4.3%
Number of employees (31 Dec – FTE)	9,834	9,642.4	+2.0%
Employee compensation and benefits (HK\$b)	3.9	3.7	+4.6%
Number of shareholders (31 Dec)	20,252	19,612	+3.3%
<b>COMMUNITY</b>			
Number of outlets (31 Dec)	219	217	-
Number of customers as at 31 Dec (m)	3.17	3.09	-
Charitable donations and community sponsorships (HK\$m)	25	30	-
Number of volunteer hours contributed	25,000	20,000	-
<b>ENVIRONMENTAL</b>			
Greenhouse gas emissions per employee (tonnes CO <sub>2</sub> /FTE) <sup>Note A</sup>	2.96	3.12*	-5.41%*
Greenhouse gas emissions per m <sup>2</sup> (tonnes CO <sub>2</sub> /m <sup>2</sup> ) <sup>Note A</sup>	0.16	0.17*	-5.18%*
Greenhouse gas emissions (kilotonnes CO <sub>2</sub> ) <sup>Note A</sup>	23.62	24.86*	-4.97%*
Electricity consumption (GWh)	36.30	36.38*	-0.22%*
Gas consumption (GWh)	0.38	0.39	-3.76%
Water consumption ('000 m <sup>3</sup> )	65.88	71.16	-7.41%

<sup>#</sup>Data includes Hang Seng's Hong Kong and mainland China operations.

\* Data has been adjusted to reflect amended information provided by Hang Seng's electricity supplier.

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

**Key:**

FTE: Full-time equivalent

CO<sub>2</sub>: Carbon dioxide

m<sup>2</sup>: Square metres

GWh: Gigawatt hours

m<sup>3</sup>: Cubic metres



## Business Awards and Recognition

### Business Awards

**Best Domestic Bank in Hong Kong (for 12<sup>th</sup> consecutive year)**

*The Asset*

**Best Domestic Bank in Hong Kong**

*Asiamoney*

**House of the Year, Hong Kong**

*Asia Risk*

**Best Local Private Bank in Hong Kong**

*Euromoney*

**Best Private Bank in Hong Kong**

*Private Banker International*

**Achievement Award for Cash Management in Hong Kong**

*The Asian Banker*

**SME's Best Partner Award**

*Hong Kong General Chamber of Small and Medium Business*

**Trusted Brands Gold Award – Bank (Hong Kong)**

**Trusted Brands Gold Award – Credit Card Issuing Bank (Hong Kong)**

*Reader's Digest*



### Credit Ratings

Moody's Investors Service	Hang Seng Bank	Long-term Bank Deposit (local and foreign currency) Short-term Bank Deposit (local and foreign currency) Subordinated Debt (foreign currency) Bank Financial Strength Outlook	Aa1 Prime-1 Aa2 B+ Stable
	Hang Seng Bank (China) Limited	Long-term Bank Deposit (local and foreign currency) Short-term Bank Deposit (local and foreign currency) Bank Financial Strength Outlook	A1 Prime-1 D Stable
Standard & Poor's	Hang Seng Bank	Long-term Counterparty Credit (local and foreign currency) Short-term Counterparty Credit (local and foreign currency) Outlook	AA- A-1+ Stable
	Hang Seng Bank (China) Limited	Long-term Counterparty Credit (local and foreign currency) Short-term Counterparty Credit (local and foreign currency) Outlook	AA- A-1+ Stable



### CSR Awards & Recognition

- First local bank in Hong Kong to be included as a constituent stock of the Dow Jones Sustainability Asia-Pacific Index
- First local bank in Hong Kong to attain ISO14001 certification for all offices and branches
- Eleventh consecutive year as a constituent stock of the FTSE4Good Global Index
- Constituent stock of the Hang Seng Corporate Sustainability Index since its launch in 2010
- First local bank in Hong Kong to attain a GRI sustainability reporting application level (attained for 2010 CR Report)
- Winner of Most Creative Campaign Award (overall) and Certificate of Merit (Corporate Social Responsibility category), at the Hong Kong Public Relations Awards, organised by the Hong Kong Public Relations Professionals' Association
- Ninth consecutive year as a Hong Kong Council of Social Service 'Caring Company'





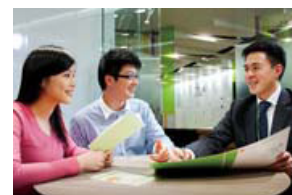
- > **Corporate Governance**
- > **Risk Management**
- > **Responsible Banking Services**

Our credibility as a leading financial institution in Hong Kong is closely linked with our operational ethics and the transparency of the information we provide to stakeholders. We uphold high standards of corporate governance. Our key compliance values include a solid commitment to quality, professionalism and integrity throughout our business.

We comply with both the letter and spirit of all relevant laws, codes, rules, regulations and guidelines and codes of conduct. If local compliance requirements are set at a lower standard than those established by our policies, our higher standards will apply where these do not contravene or conflict with local law.

## Corporate Governance

Our commitment to high standards of corporate governance includes following the module on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority and full compliance 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. We regularly review and, if appropriate, enhance our corporate governance framework to ensure it is in line with international and local best practices.<sup>Note B</sup>



### Board of Directors

As at 23 April 2012, there are 17 Directors on the Hang Seng Bank Board, of whom two are Executive Directors and 15 are the Non-executive Directors. Of the 15 Non-executive Directors, nine are Independent Non-executive Directors. The Board held nine meetings in 2011.

The roles of the Bank's Chairman of the Board and Chief Executive are separated, 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 the Bank and its subsidiaries.

In identifying potential new Directors, we strive to reflect the diversity that exists in our community while always ensuring we nominate individuals who are best placed to provide expert guidance in all aspects of managing our business.

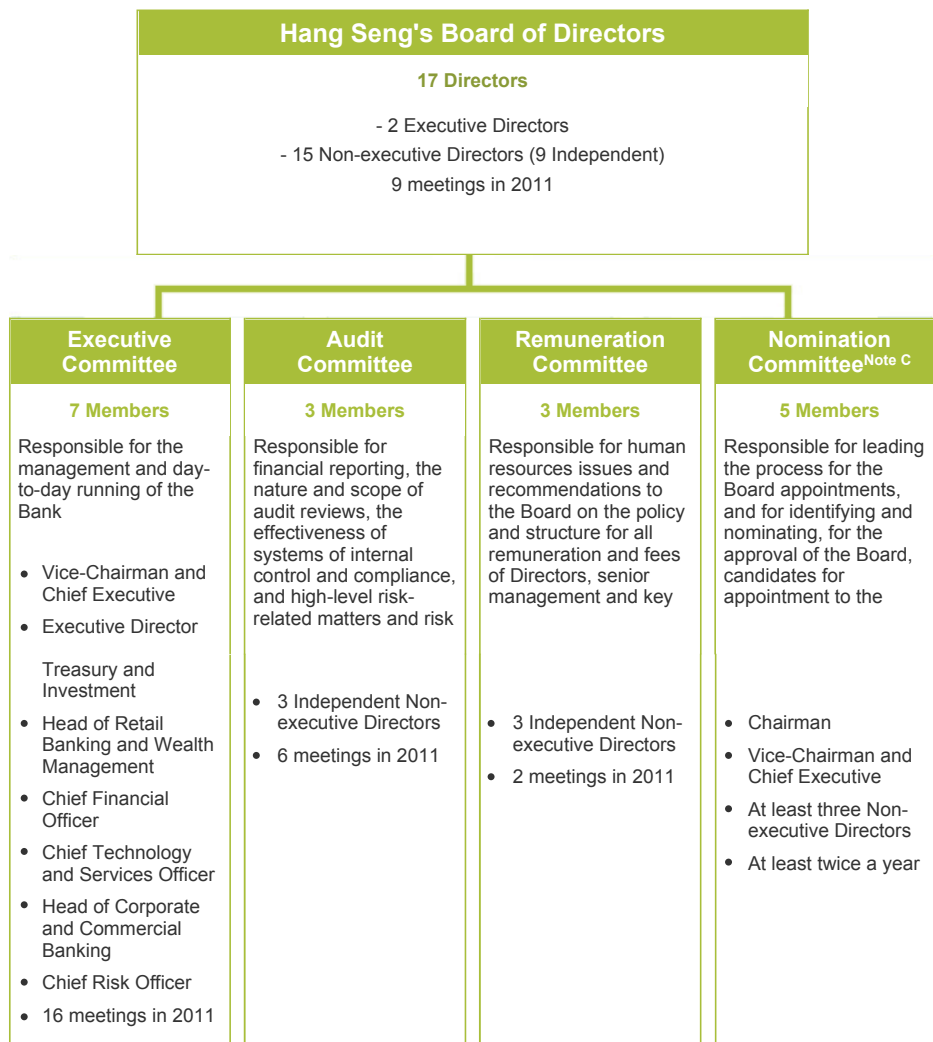
We are proud to have six female Directors among our 17 Board members – giving us the highest proportion of female Board representation among the constituent companies of the Hang Seng Index.

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

All Directors have full and timely access to all relevant information about the Bank so that they can discharge their duties and responsibilities as Directors. There are established procedures for Directors to seek independent professional advice on matters relating to the Bank where appropriate. All costs associated with obtaining such advice will be borne by the Bank. In addition, each Director has separate and independent access to the Bank's senior management.

### Board Committees

The Board has set up four committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee has specific written terms of reference that set out its authorities and responsibilities.



**Note B:** More details on our actions and practices in this area can be found in the 'Corporate Governance and Other Information' section of our 2011 Annual Report

**Note C:** The Nomination Committee was established in March 2012

#### Hang Seng Bank (China) Limited – Corporate Governance Structure

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

#### Board of Directors

As at 31 December 2011, there are eight Directors on the Hang Seng China Board, including one Executive Director, who is also Chief Executive and Vice Chairman of Hang Seng China, and seven Non-executive Directors. Of the seven Non-executive Directors, four are Independent Non-executive Directors.

#### Board Meetings

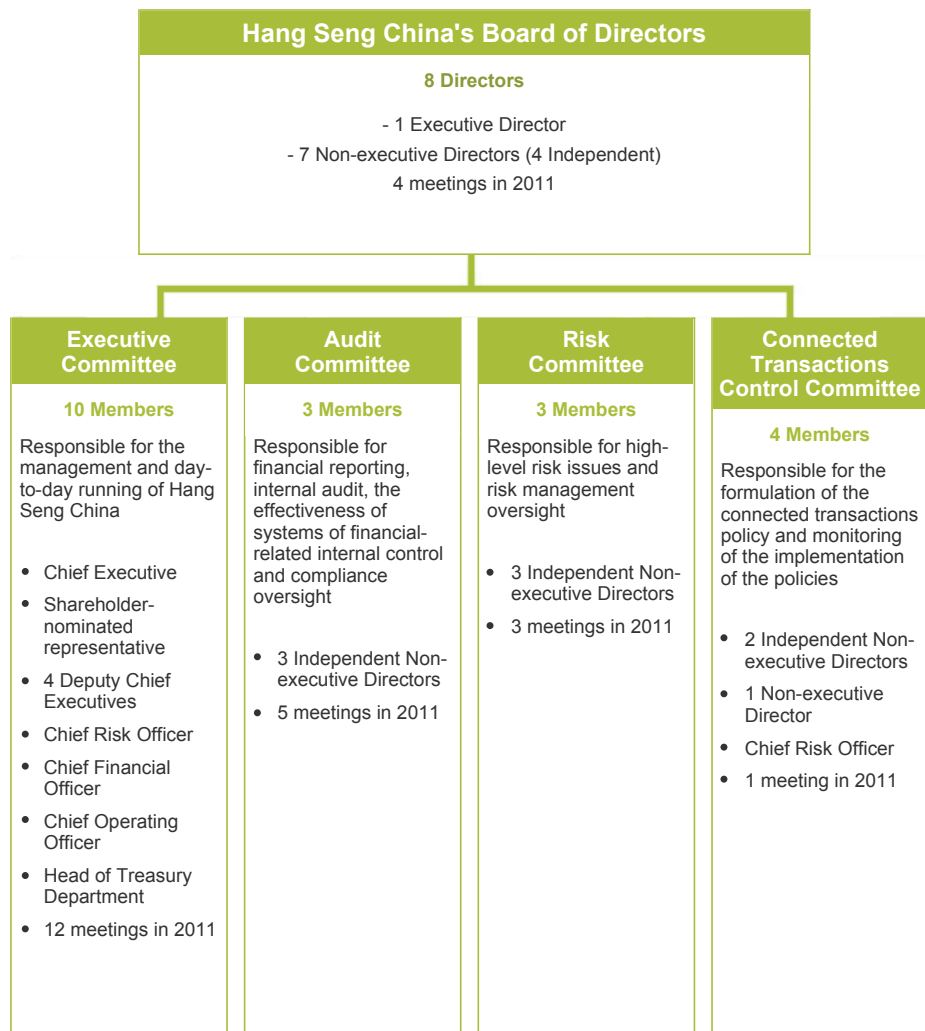
The Board held four meetings in 2011.

#### Board Reports to

Sole shareholder, Hang Seng Bank Limited.

#### Board Committees

The Board has established four committees: the Executive Committee, the Risk Committee, the Audit Committee and the Connected Transactions Control Committee. Each committee has specific written terms of reference that clearly regulate its authority, duties and meeting rules.



#### Supervisor

Hang Seng China has one supervisor, nominated by and reporting to the shareholder, who is required to attend all Board meetings. Hang Seng China's supervisor attended all Board meetings in 2011.

**Note D:** All information provided on Hang Seng Bank (China) Limited is to be considered supplementary information for the purposes of 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, reputational and sustainability risks.

The internal audit function provides independent and objective assurance to senior management and the Audit Committee regarding our internal control framework, with a view to adding value and enhancing our operations. Periodic reviews of business activities and support functions are conducted to determine whether the framework of risk management, control and governance processes – as designed and represented by the management – is adequate and effective.

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. The Board of Directors approves risk management policies and major control limits. More details on our management of risk can be found in the 'Corporate Governance and Other Information', 'Financial Review' and '2011 Financial Statements' sections of our 2011 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 reputational risks.

Environmental risk covers the risks of degrading the natural environment through accidental or deliberate actions. Our primary risk in this regard is the indirect impact of corporate and commercial lending decisions. We support international responsible financing principles and have sector-specific guidelines to help manage environment-related sustainability risks (see 'Responsible Banking Services' section below) We also require that our credit assessment executives conduct a sustainability risk assessment of all credit applications – both new applications and annual reviews – by our business customers.

#### Compliance

Our key values include a solid commitment to quality, professionalism and integrity throughout our business. We have structures in place to ensure that our staff comply with both the letter and spirit of all relevant laws, codes, rules, regulations and guidelines and codes of conduct. If 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 including but not limited to the use of information, insider dealing and personal investment dealing, personal benefits, outside directorships/employment and equal opportunities policy. New staff are required to acknowledge their compliance with the Code upon joining the Bank. All staff are notified of any revisions to the Code from time to time via bankwide communication and are required to fully review the Code of Conduct on an annual basis to ensure their awareness of and compliance with it. Breaches of the Code will result in disciplinary action with reference to the seriousness of the case. In instances involving a breach of law, the case will be referred to the relevant enforcement bodies for further action.

### **Staff Awareness**

A key factor in 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. All employees must complete an 'Anti-Bribery and Corruption' e-Learning programme to ensure that they are familiar with the relevant laws and regulatory requirements. Other compliance training programmes include those covering equal opportunities, data privacy, occupational health and safety, anti-money laundering and code of banking practice. Staff are also provided with regular update and other information on compliance issues through our internal morning broadcasts.

### **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. We have stringent internal guidelines and procedure manuals as well as staff training to ensure proper internal controls and enable suspicious transactions to be identified 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. The framework sets out the procedures and internal controls for the handling and dissemination of price-sensitive information in a timely manner to help shareholders, customers, staff and other stakeholders understand 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.

### **Data Privacy**

Ensuring the privacy of our customers' personal information and other data is among our most important responsibilities in maintaining our reputation for good governance and in establishing the trust that underpins lasting business relationships. We comply with all data privacy regulations and have formulated a set of 'Privacy Principles' to guide staff in protecting customer information. Specific processes for the handling and protection of customer data are set out in the relevant internal procedural manual. We have a designated Data Protection Officer. Data Controlling Officers have also been appointed at a functional or business unit level to promote data protection and disseminate information on related new guidelines or developments. We also produce a quarterly bulletin on personal data protection to further ensure staff awareness of the latest internal and external requirements.

## **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 activity. Along with economic considerations, social and environmental issues play an important role in lending policies and environmental risks are included in credit assessments and reviews. We have sector-specific guidelines for businesses operating in environmentally sensitive and other high-risk sectors (see box: Responsible Financing). We also abide by the Equator Principles, a set of voluntary guidelines for the assessment and management of environmental and social risks in project 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, and transactions that could be used to foster racism, launder criminal earnings or evade tax.

### **Facilitating Positive Change**

As part of our efforts to facilitate the improved environmental performance of our customers, our Green Financing scheme offers Hong Kong-owned factories operating in the Pearl River Delta favourable financing terms for the acquisition of equipment that will enhance energy efficiency and reduce pollution.

Building on the success of our Personal Banking e-Statement and e-InvestAdvice services, through which customers are helping us cut our use of paper by over 28 million sheets a year, in July 2011 we extended e-Statement coverage to include business customers.

Our Green Banking Integrated Account enables university and tertiary education students to take a more environmentally sensitive approach to financial management. Green Banking customers are automatically enrolled in our e-Statement service and the Green Banking smart ATM card and MPOWER Card are made of environmentally friendlier PETG materials. In addition, University Affinity Card and MPOWER Card are valid for an extended period of four years to reduce the use of resources.

## Responsible Financing

Our belief in promoting sustainable business practices means that we carefully assess potential environmental and social 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 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.

### ***Defence Equipment Sector***

Establishes our position with regard to companies involved in the manufacture and sale of weapons.

We provide training that ensures our staff understand the sustainability risks associated with lending and investment in environmentally and socially sensitive sectors and that they are equipped to follow the policies and procedures we have established in this regard.



#### > Customers

- Handling Customer Feedback
- Access for All
- Transparency, Accountability, Choice
- Championing Local Business
- Helping Customers Face Financial Challenges
- Service Environment

#### > Suppliers

### Customers

At its heart, our business is about building lasting relationships. Primary among these are those with customers, who provide inspiration and incentive for everything we do. Understanding customer needs and inspiring their loyalty and trust are fundamental to our long-term success.

A deep understanding of the financial needs and aspirations of our customers underpins our reputation for service excellence. In addition to providing various channels for customer-initiated feedback – including suggestion forms and a hotline – we employ a number of methods to proactively gather customer opinions and enhance our ability to provide an outstanding service experience. We conduct focus groups to seek views on key products and service initiatives. We identify our strengths, areas for improvement and industry best practice through satisfaction surveys and local market benchmarking exercises. We operate a mystery shopping programme and internal customer surveys to monitor and ensure quality service by our frontline staff at branch outlets and MTR station offices. We seek third-party assessment of our performance from external agencies.

Independent feedback on customer satisfaction and local market reputation includes the Banking Study conducted by Oracle Added Value. We are proud to have had the highest-rated banking services in Hong Kong for seven consecutive years and be the most recommended bank by customers in 2011.

#### Award-winning Service

We are honoured by the community recognition we enjoy for our commitment to service excellence.

**Hong Kong Service Awards – General Banking Services**  
*Eastweek*

**Top Service Awards – Credit Card Services and Internet Banking Services**  
*NEXT Magazine*

**Excellent Service Brand Awards – Banking-Branch Services and Best Employee Training**  
*Sing Tao*

**Elite Award (for wealth management)**  
*Ming Pao Weekly*



### Handling Customer Feedback

Business units, frontline staff and our Quality Assurance Department (QAD) are all responsible for receiving customer opinions, comments and suggestions. We have a standardised complaint handling procedure to ensure customer feedback is dealt with in a consistent and efficient manner that abides by the service pledges contained in our internal procedure manual and external guidelines.

QAD, which is an independent unit, handles customer comments and assists business units in resolving complaints. Through QAD, we strive to acknowledge receipt of any comment or complaint before the close of business on the following working day, and to resolve any related issues within seven working days whenever possible. Should the matter require further investigation, QAD is committed to undertaking this task and providing a comprehensive follow-up reply within 30 days. If QAD's investigations identify any issues that require remedial action, line management will take the necessary steps to address these matters.

Senior management regularly review reports on customer suggestions, comments, compliments and complaints. Lessons learnt from customer feedback are communicated to staff to improve customer service and encourage best practice.

### Access for All

Our aim is to provide convenient, secure and fast access to financial services. This includes harnessing the power of technology to offer our services across a wide range of platforms to give customers greater control over how and when they manage their finances. It also means careful planning of our network of outlets and considering the special needs of different demographic groups in our communities.

A society that is increasingly on the move demands banking services that can keep pace. We further enhanced our mobile banking channels in 2011 with the launch of a e-Banking 4G platform that provides a unified customer interface across a broad range of mobile phones, tablets and other similar devices. We also extended our range of mobile-friendly electronic services to include securities trading, time deposits and foreign currency functions. At the end of 2011, our number of Personal e-Banking customers had increased by 11.7% compared with a year earlier to 1.2m.



We believe that people of all ages and income levels should be able to enjoy quality financial services. We offer various reduced or no-fee banking services to customers under 21, students, persons aged over 65 and recipients of a government disability allowance.

We continue to improve special-needs access at our branches and across self-managed channels. Wheelchair access is available at 122 of our outlets – more than half our total network of street-level branches, MTR branches and standalone automated banking centres. Our website is designed with readability and ease of navigation as priorities.

## Transparency, Accountability, Choice

We are committed to providing clear, transparent and balanced information about our products and services. 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 objectives. We maintain a diverse portfolio of wealth management products to meet different customer appetites for risk. Our time-to-market strength has made us a local leader in helping customers capture new market trends and emerging investment opportunities.

We offer our products and services in accordance with both internal policies and external regulations (see box: Our Service Pledge). Our customer interactions reflect our 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'.

Our Service Pledge	
In addition to complying with external regulations and guidelines, we apply a rigorous set of internal 'Customer Fairness Principles' in offering our products and services.	
<b>Treat Me Fairly</b>	We will build honest relationships with customers and deliver products and services at a fair price
<b>Tailored Solutions</b>	We will listen to customers and work to understand their needs in order to provide the most suitable products and services
<b>Keep Me informed</b>	We will provide clear, transparent, relevant and timely communications that give customers all the information they need to make informed choices
<b>Suitable Advice</b>	When we provide advice to a customer it must be based on a full understanding of their needs and best reflect their circumstances
<b>Meet Commitments</b>	When we make commitments to a customer as to how a product or service will perform, we will always endeavour to deliver on these commitments
<b>Flexibility</b>	We will provide customers with the ability to change products or services as their requirements change without enforcing unreasonable barriers. If a customer wishes to register a complaint or make a claim, the process will be easy to understand



## Championing Local Business

Building strong 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 local 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 actively participate in the SME Financing Guarantee Scheme, supported by the Hong Kong Mortgage Corporation, which helps SMEs acquire funding to meet their business needs.

We regularly run seminars for SME customers in collaboration with external parties and associations on topics such as financing solutions, taxation and investment, to help improve the financial literacy of SMEs and increase awareness of relevant financial management tools.

These initiatives, together with steps to further enhance service access and efficiency through our network of seven Business Banking Centres, helped drive a 13% year-on-year increase in our Commercial Banking customer base in 2011. We also earned our sixth consecutive award under the annual 'SME's Best Partner Awards' organised by the Hong Kong General Chamber of Small and Medium Business.

## Helping Customers Face Financial Challenges

With continuing uncertainty in the international economy, we are working harder than ever to help customers facing difficult financial situations.

With our in-depth knowledge of industry sectors and deep customer relationships, we can provide tailored support to business customers dealing with financial challenges, focusing on assessment and advisory services that aim to get them back on track.

We help businesses 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 win-win solutions. 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 that 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 our customers and staff enjoy a safe and healthy environment at our outlets and offices. We were the world's first bank to achieve compliance with the internationally recognised occupational health and safety standard BS OHSAS 18001:2007. Our Safety Management Committee (SMC) is led by members of senior management who oversee the development and effectiveness of our occupational health and safety programmes. Day-to-day operational responsibilities are handled by an SMC Working Team comprised of middle management representatives, with about 300 members of staff at all levels playing a vital role as Job Hazards Analysis team members and/or internal Safety Assessors.

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' objective established in the 'Guidance Notes for the Management of IAQ in Offices and Public Place' issued by Hong Kong Government's Environmental Protection Department, we regularly clean air filters and conduct IAQ measurements for monitoring and continually improving the performance of related systems.

We have implemented a wide range of measures and procedures to minimise potential safety hazards for both staff and customers in our premises, including non-slip treatments on floor surfaces and use of clear and conspicuous signage for temporary safety 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 employees can efficiently and effectively identify, eliminate and/or mitigate any potential safety risk to customers and/or staff arising from fire or similar emergency situations. We have appointed Fire Marshals in all our premises and also arrange for a number of our employees to acquire Qualified First Aider status for the benefit of their colleagues and customers in the event of a medical emergency or accident.

The standard temperature set point in our offices and outlets is 24.5 °C during the hot season, which aims at striking a good balance between our determination to reduce energy consumption in line with our low-carbon initiatives and our desire to provide a pleasant environment for customers and staff.

Occupational Health and Safety	
Lost day rate	6.3%
Occupational injury rate	0.12
Absenteeism rate (Hang Seng Bank & Others <sup>#</sup> )	1.39%*

<sup>#</sup> "Others": including Macau/overseas and other Mainland operations (~0.7% of the total headcount of HASE Group)

\* include sick leave & compensation sick leave days in 2011

## Suppliers

Our supply chain supports the effective operation of our business but also exposes us to reputational and other risks. We require our suppliers to meet established ethical, environmental and social responsibility standards. In return, we ensure transparency and fairness in our procurement process and supplier relationships.

As service-based business, supply chain management is not a primary driver of our sustainability performance. However, our relationships with contractors and suppliers represent an additional opportunity for us to encourage positive change among businesses in our community. We must also protect our corporate reputation by requiring suppliers to demonstrate a commitment to ethical behaviour and other sound operating values.

We have clear policies and guidelines for selecting contractors to ensure they can provide services in full compliance with our supplier sustainability standards, which cover areas such as ethics, health and safety, employment policies and environmental performance. In particular, our tender and agreement documents ask contractors to complete a questionnaire covering environmental issues, including whether they have an established environmental management system and/or have attained ISO 14001 accreditation, which is assessed as part of the tender process. We continue to monitor supplier practices following their appointment.

All our procurement is done on a competitive basis and we have strict procedures governing staff conduct when handling procurement issues. Our procurement policy also 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 use e-procurement systems to reduce paper consumption and lead times as well as enhance supplier control and information management. We encourage our suppliers and contractors to use or offer environmentally friendlier or recycled products whenever possible.



- > **Cultivating Leaders and Nurturing Talent**
- > **Pay and Compensation**
- > **Employee Engagement and Communication**
- > **Diversity and Inclusion**
- > **Business Principles and Values**
- > **Work-Life Balance**
- > **A Statistical Snapshot of Our People**

Our success in establishing long-term relationships with customers relies in large part on the efforts of our people, who are the public face of our business. We offer compensation, training and career development opportunities that attract high-calibre employees and motivate them to strive for service excellence.

We are one of Hong Kong's largest listed companies with 9,834 full-time equivalent employees as at 31 December 2011) – a year-on-year increase of 2%.

We foster a culture of open dialogue and our staff are encouraged to discuss their career aspirations or concerns with their supervisors at any time. Twice a year, this dialogue is formalised through staff performance reviews in which employees and their managers work together to identify personal strength and development areas of interest and/or knowledge and skills needs that can be enhanced through training and other career development intervention.

Our intranet provides staff with convenient access to information about our online and in-person training and career-planning solutions, with different teaching methods that allow employees to learn in a way that best suits their needs. Our wide range of programmes includes financial and product knowledge, selling and sales management skills, leadership and management skills, language and professional development as well as risk and compliance. We respond quickly to changing training needs to ensure our people meet regulatory requirements and are well equipped to explore new avenues for business growth.

Additional opportunities for our staff development are provided through job rotations, secondments and cross-posting programmes. We also operate an award scheme to encourage staff to pursue professional or academic qualifications that will enhance their job performance and career advancement prospects.

Same as 2010, our average number of in-house training days per staff in 2011 was six excluding external training, seminars and conference etc.



Training	
<b>No. of hours training per year per employee</b>	44
<b>No. of hours training per year per employee (by gender)</b>	
- Male	46
- Female	42
<b>No. of hours training per year per employee (by employee category)</b>	
- Executive	35
- Officer	54
- General staff	44

## Cultivating Leaders and Nurturing Talent

With the aims of retaining talent and ensuring a quality internal pipeline, we identify and develop individuals displaying high potential to fill future leadership roles and other critical positions.

We have established a Leadership and Management Development framework with a strategic training focus that enhances leadership qualities, people management capabilities, and business and personal effectiveness skills (see box: Building Better Leaders).

Building Better Leaders	
The retention and development of top talent supports the sustainable growth of our business. Examples of the specialised training provided under our Leadership and Management Development programme include:	
<b>Effective Career Conversation</b>	Training to help managers with people responsibilities to enhance their ability to engage in effective career development dialogue with their staff
<b>Values</b>	A workshop to help managers align their leadership behaviours with the Bank's values in everyday interactions with staff
<b>Core Leadership Programmes</b>	A series of workshops (Leadership Challenge Programme, Leadership Transition Programme and Leader in You) to help leaders at different levels to strengthen their leadership skills



## Management Trainee Programmes

Our Management Trainee programmes give graduates in Hong Kong and on the Mainland intensive training and exposure to different business segments with the objective of grooming programme participants to take up future management roles.

## Pay and Compensation

We offer competitive pay and employee benefits to attract talented staff and use a performance-based remuneration system to motivate and reward them in line with their contributions to growing our business. Additional incentivisation is generated through the use of a variable pay scheme that is based on the performance of the Bank and individual employees.

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

Our voluntary turnover rate in Hong Kong for 2011 was 11.6% – the second lowest among major banks in Hong Kong.

## Employee Engagement and Communication

Effective communication is crucial in building a motivated, engaged workforce. Information relating to employment matters and the Bank's business direction, strategies and policies are communicated to staff by their supervisors and via our intranet, morning broadcasts and staff newsletter. Our online HR Net channel contains the Bank's human resources (HR) policies, provides timely updates on new or changing information, and serves as a convenient hub for accessing HR-related documents and forms.

Since 2007, we have conducted an annual Staff Opinion Survey to measure the engagement level of our staff and better understand their perspectives, priorities and concerns, enabling us to take effective action to continuously improve employee engagement.

Our employees have an invaluable role to play in helping to form and enhance our strategic direction and policies. We promote a 'listening and speaking up' culture as part of our emphasis on open dialogue, resulting in more effective communication and improved service across all levels of our organisation. Staff are also encouraged to contribute their ideas during work improvement programmes, cross-team projects and suggestion schemes.



## Diversity and Inclusion

In championing a diverse and inclusive workplace, we expect all members of our team to demonstrate appreciation, care and respect for each other, regardless of position, background, gender or age.

Our employment practices do not discriminate on the grounds of sex, marital status or pregnancy, family status, race, religion, national or ethnic origin, or disability. The principles established in our Equal Opportunities Policy have been incorporated into our Staff Code of Conduct with which staff are required to comply.

All staff receive training on issues such as diversity and inclusion, equal opportunities and data privacy. In 2011, we provided over 17,000 hours of training on policies, procedures and building greater awareness of human rights issues that are relevant to our working environment and operations.

## Business Principles and Values

Our stringent principles of business conduct – based on external regulations and internally established standards and values – hold our people to high standards of integrity. We require a personal commitment to honesty, fair dealing and high-quality service, as well as full compliance with the spirit and letter of all relevant laws and regulations.

Our key principle is the concept of 'courageous integrity' (see box: Acting with Courageous Integrity), under which we empower all our employees with the courage and capability to do the right thing without compromising ethical standards or personal integrity, and to act in an honest and upright way in everything they do.

### Acting with Courageous Integrity

We empower our employees to always act in accordance with our core value of 'courageous integrity' and to be dependable, open and connected in all that they do.

#### Dependable – do the right thing

- Stand firm for what is right, deliver on commitments, be resilient and trustworthy
- Take personal responsibility, be decisive, use good judgement and common sense
- Empower others

#### Open – to different ideas and cultures

- Communicate openly, honestly and transparently, embrace challenges, learn from mistakes
- Listen, treat people fairly, be inclusive, value different perspectives

#### Connected – to customers, communities, regulators and each other

- Build connections, be aware of external issues, collaborate across boundaries
- Care about other people and their progress, show respect, be supportive and responsive



## Work-Life Balance

Staff who enjoy a good work-life balance are better equipped to give their best performance. We support our people in effectively managing their work and life commitments through initiatives including flexi-time arrangements, adoption leave and volunteer leave.

As part of our efforts to be a family-friendly employer, in 2008 we implemented a paternity leave scheme that gives fathers the chance to offer greater support to their wives in the days following the arrival of a new baby. About 90 male employees benefitted from this initiative in 2011, while about 170 female employees took their statutory entitlements for maternity leave. The return-to-work rate and retention rate following parental leave was close to 100%.

To encourage healthy lifestyles, a passionate spirit and broad-ranging interests among our employees, we organise a wide range of recreational and sporting activities. In 2011, these included a family fun day and six sporting competitions – badminton, 10-pin bowling, table tennis, golf, basketball and football – under the Hang Seng Cup. Over 20,000 participants took part in the sporting activities we organised for staff and their families in 2011.



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### A Statistical Snapshot of Our People Headcount by Employment Type (FTE)

	Hang Seng Bank & Others #		Hang Seng China		Total	
	Headcount	(%)	Headcount	(%)	Headcount	(%)
Full-time Permanent Staff	7,950	(98.6%)	1,636	(92.3%)	9,586	(97.5%)
Full-time Contract Staff	73	(0.9%)	136	(7.7%)	209	(2.1%)
Part-time Staff	27.70	(0.3%)	-	-	27.70	(0.3%)
Temporary Staff	11.23	(0.1%)	-	-	11.23	(0.1%)
<b>Total</b>	<b>8,061.93<sup>^</sup></b>	<b>(100.0%)</b>	<b>1,772.00</b>	<b>(100.0%)</b>	<b>9,833.93</b>	<b>(100.0%)</b>

### Headcount by Gender\*

	Executive	Officer	Clerical / Non-clerical staff	Total	(%)
<b>Hang Seng Bank &amp; Others #</b>					
Male	602	1,537	1,121	3,260	(40.6%)
Female	555	1,894	2,314	4,763	(59.4%)
<b>Hang Seng Bank &amp; Others # Total :</b>	<b>1,157</b>	<b>3,431</b>	<b>3,435</b>	<b>8,023</b>	<b>(100.0%)</b>
<b>Hang Seng China</b>					
Male	129	211	254	594	(33.5%)
Female	121	406	651	1,178	(66.5%)
<b>Hang Seng China Total :</b>	<b>250</b>	<b>617</b>	<b>905</b>	<b>1,772</b>	<b>(100.0%)</b>
<b>Overall</b>					
Male	731	1,748	1,375	3,854	(39.3%)
Female	676	2,300	2,965	5,941	(60.7%)
<b>Overall Total</b>	<b>1,407</b>	<b>4,048</b>	<b>4,340</b>	<b>9,795</b>	<b>(100.0%)</b>

### Average Age\*

	Executive	Officer	Clerical / Non-clerical staff	Overall
Hang Seng Bank & Others#	42	36	38	38
Hang Seng China	39	32	28	31
<b>Overall</b>	<b>41</b>	<b>35</b>	<b>36</b>	<b>36</b>

### Average Years of Service\*

	Executive	Officer	Clerical / Non-clerical staff	Overall
Hang Seng Bank & Others#	12	12	13	12
Hang Seng China	6	3	2	3
<b>Overall</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>11</b>

\* Excludes part-time and temporary staff.

# Others includes staff in Macau/overseas and in Hang Seng Bank's Mainland operations excluding Hang Seng Bank (China) Limited (~0.7% of the total headcount of the Hang Seng Group).

<sup>^</sup> 0.5% of Hang Seng's Hong Kong workforce is non-Chinese by ethnic origin.



## Our Commitment **ENVIRONMENT**

### > Environmental Performance

As one of Hong Kong's largest listed companies, we have a prominent platform from which to champion the cause of improved environmental stewardship. The collective global response to challenges such as climate change and conserving biodiversity will influence the long-term health of the natural systems upon which we all depend. We are committed to playing our part in working towards positive long-term outcomes.

We take steps to reduce our resource consumption and encourage our customers and suppliers to do the same through our services and policies. We empower our staff to act as ambassadors for the environment by raising their awareness and understanding of green issues.

We are proud to be a local pioneer in promoting greater environmental responsibility. We use our visible position on the local corporate landscape to promote greater action on climate change and other large-scale environmental concerns. We support community projects that have a demonstrable positive impact on the environment. We explore potential future business opportunities arising from the adoption of greener technology and processes, as well as interest in environment-related investment.

Beginning with our headquarters building in 2005, we have led the way in gaining ISO 14001 certification among local banks in Hong Kong. In 2011, we became the first local bank to achieve this internationally recognised environmental accreditation for all Hong Kong offices and branches. Our operations have been carbon neutral since 2007 and we are making steady progress in cutting our emissions (see table: Environmental Performance).

Through our award-winning Hang Seng Pearl River Delta Environmental Awards (Awards), organised jointly since 2007 with the Federation of Hong Kong Industries, we continue to incentivise companies in the Pearl River Delta region to improve their performance with respect to a broad range of environmental issues. The Awards attracted a record 182 participants and 651 projects in 2010/11 – up 26% and 17% respectively compared with the previous year.

The collective positive impacts of Awards projects include cutting waste by 630,000 tonnes – an amount that would cover Shing Mun Reservoir about 226 times. The projects also reduced water consumption by 2.95 million tonnes (the volume of 740 standard 50m swimming pools) and cut electricity consumption by over 85 million kWh (equivalent to the annual electricity used by 13,000 average four-member households). Close to 11,000 tonnes of materials were recycled under the projects – an amount that would cover Victoria Park 300 times.

Other efforts to reduce resource consumption include paperless initiatives – both internally and through services for customers. By the end of 2011, over 510,000 customers had chosen to receive their account statements in electronic format through our e-Statement service and the number of subscribers to our e-InvestAdvice service had topped 103,000 – collectively saving over 28 million sheets of paper a year. In July, we rolled out e-Statement services for business customers.

We cut energy consumption per full-time employee by 5.41% in 2011. We recycled more than 4,000 items of obsolete computer equipment and nearly 14,000 toner and printer ink cartridges – saving about 66 tonnes of electronic waste.

The strong importance we place on taking action to conserve biodiversity is reflected in our financing policies (see 'Responsible Banking Services' under the 'Corporate Governance' section of this Report) and the management of our own operations. We stopped serving shark's fin at Bank functions in 2003 and have since taken endangered reef fish species and black moss off our menus. We comply with WWF Hong Kong's *Seafood Guide* and in 2011 became the first corporation in Hong Kong to implement an 'ocean friendly' menu endorsed by WWF Hong Kong at our banquet hall.

Other progress in 2011 includes implementing a composting scheme to handle food waste generated at our Penthouse. Compostable waste is collected by a contractor and used in the production of farm animal feed. We are also taking steps to minimise the generation of such waste at source through awareness raising initiatives aimed at staff, including an 'Order Less, Waste Less' campaign and related environmental talks.

In November 2011, staff volunteers travelled to rural areas of Yunnan province in mainland China to assist on a biogas project organised by The Conservancy Association, under which about 2,200 local villagers gained access to renewable energy. As at the end of 2011, more than 6,600 individuals are benefitting from biogas facilities built under this Hang Seng-sponsored project – which is saving about 3,740 tonnes of firewood per year (equivalent to about 8,250 acres of forest) and cutting annual carbon emissions by about 18,700 tonnes.

We continue to enhance the environmental knowledge and understanding of our staff through talks, workshops and volunteer activities organised in association with local green groups. In November and December, staff volunteers and their families helped collect over 150 bags of rubbish as part of the International Coastal Cleanup campaign.

These activities empower our staff to act as ambassadors for the environment, spreading positive green messages among their family members and social peers, and helping groups of young people learn more about low-carbon living, tree conservation and recycling through various community initiatives – thereby planting the seeds of environmental stewardship in the hearts and minds of future generations.

Fund-raising events such as the Green Power Hike and the Friends of the Earth (HK) River Walk for the Dongjiang River Source Conservation Project saw members of staff get active in support of good environmental causes.

We continue to participate in 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	2011	2010	2009
<b>GHG Emissions (CO<sub>2</sub> equivalent)*</b>				
Electricity	tonnes	23,308.48	24,570.37 <sup>#</sup>	24,203.23
Employee travel	tonnes	268.01	238.32	259.03
Other fuel sources (gas, LPG and diesel)	tonnes	43.51	46.38	62.10
<b>Total</b>	<b>tonnes</b>	<b>23,620.00</b>	<b>24,855.07<sup>#</sup></b>	<b>24,524.36</b>
<b>Resources Consumption</b>				
Electricity	GWh	36.30	36.38 <sup>#</sup>	36.50
Other Fuel Sources (gas, LPG and diesel)	GWh	0.48	0.52	0.60
Water	000 m <sup>3</sup>	65.88	71.16	55.85
Paper <sup>+</sup>	tonnes	1,777.77	2,052.00	-
- Compliant	%	90.75	81.61	-
- Near-compliant	%	0.09	5.41	-
- Non-compliant	%	9.16	12.98	-
<b>Waste Disposed to Landfill</b>				
Confidential Waste (non-paper)	tonnes	-	-	-
General Office Waste	tonnes	340.80	385.57	466.00
IT and Electrical	tonnes	0.05	0.31	2.97
<b>Total</b>	<b>tonnes</b>	<b>340.85</b>	<b>385.88</b>	<b>468.97</b>
<b>Waste Collected for Recycling</b>				
Cans	tonnes	0.24	0.22	0.12
Confidential (non-paper)	tonnes	2.12	5.51	4.90
General Office	tonnes	43.03	48.23	153.66
IT and Electrical	tonnes	66.02	50.84	85.03
Mixed Paper and Cardboard	tonnes	723.43	809.67	688.89
Plastic	tonnes	0.62	0.76	0.17
<b>Total</b>	<b>tonnes</b>	<b>835.45</b>	<b>915.23</b>	<b>932.79</b>

Data coverage: Hang Seng's Hong Kong operations. Data is rounded up to two decimal places.

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

<sup>#</sup> Data has been adjusted to reflect amended information provided by Hang Seng's electricity supplier.

<sup>+</sup>**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:

CO<sub>2</sub>: Carbon dioxide

GWh: Gigawatt hours

m<sup>3</sup>: Cubic metres





## Our Commitment COMMUNITY

- > Investing in the Future
- > The Spirit of Service
- > Inspiring Through Sports

We have deep roots in our local communities. Our participation and investment in social development initiatives is contributing to the creation of a well-educated, vibrant society that will support our growth by providing new customers and colleagues as well as exciting opportunities for business in the years ahead.

Our key contributions to society are the direct economic impact we create as a major employer and taxpayer in Hong Kong, and our role in helping individuals and businesses meet their financial needs as a trusted banking and wealth management partner to over half of Hong Kong's adult population.

These close ties to our community mean we have compelling reasons for contributing to long-term local development and well-being. We use our resources, influence and expertise to give back to the people who help to create our success.

Over the past decade, we have allocated more than HK\$217m in donations and community sponsorships – including about HK\$25m in 2011 – to a wide range of educational, environmental, social welfare, sports development and arts programmes.

But our involvement doesn't end with financial support. We focus on building strategic partnerships with NGOs to achieve long-term social development goals and encourage our staff to be part of the process as volunteers.

### Investing in the Future

In line with our policy of investing today for a bright tomorrow, we have made education and the nurturing of young talent a central element of our community development programmes. In 2011, we reached out to about 60,000 young people through more than 30 Bank-supported education initiatives.

Since 1995, we have provided more than HK\$56m under various scholarship schemes, benefitting over 1,700 outstanding students in Hong Kong and mainland China.

Through our continued partnership with the Hong Kong Federation of Youth Groups (HKFYG), the Hang Seng Bank – Leaders to Leaders Lecture Series offers young leaders of tomorrow the chance to engage in direct dialogue with prominent community leaders of today. Under the theme of 'Modern China – Mapping Out Our New Future' more than 300 students took part in each of the 10 lectures held in 2011.

We also worked with the HKFYG to encourage young people to use the power of broadcast media to promote positive values through the Hang Seng Bank – Chinese Youth Film Contest 2011, which attracted about 1,000 entrants from Hong Kong, the Mainland and Taiwan.

Our long-term support of the Ming Pao Student Reporter Programme has helped about 7,000 students – including about 500 from 200 schools in 2011 – hone their critical thinking and language skills while enhancing their knowledge of current affairs.

We believe in broadening community exposure to the arts, which play an important role in promoting creativity and stimulating social debate. In 2011, we sponsored special shows by the Hong Kong Repertory Theatre for more than 2,000 students from low-income families under the Boundless Movement – Hang Seng Bank Student Matinees programme to mark the 100<sup>th</sup> anniversary of the Xinhai Revolution. Since 2007, our support for various student ticket schemes has opened up access to various artistic performances for over 72,000 young people.

In a new initiative, we partnered with the Aide et Action Education Foundation to launch the Hang Seng Bank – Fight Against Women's Illiteracy 2011 project, which to support basic education to about 15,000 illiterate women from rural areas on the Mainland.

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

### The Spirit of Service

Our staff are much more than just employees – they are the ambassadors, relationship builders and heart of our business. Underpinned by our keystone principle of service excellence, we encourage a culture of volunteerism through which our passion to serve has moved beyond the workplace to support community betterment.

In 2011, our staff and their families collectively contributed about 25,000 hours in volunteer service – an increase of about 30% compared with the previous year. We facilitated this giving back through service by organising over 100 volunteer activities, including outings and craft workshops for underprivileged children, conservation and environmental programmes, mural painting in a local hospital, and festival lunches and other outreach work among the elderly. We continue to encourage our volunteers to be more involved in the planning and implementation of such activities by becoming volunteer leaders.



In partnership with the Regeneration Society, we promoted the importance of positive life values through the Hang Seng Bank – Regeneration Society Top Ten Regeneration Warriors Programme, through which 10 'Regeneration Warriors' shared their experiences in overcoming chronic illness to live rich and rewarding lives.

Over the past decade, we have donated more than HK\$28m to The Community Chest of Hong Kong, which provides funding to 150 charities in Hong Kong serving over 2 million people. Matching staff donations on dollar-for-dollar basis, we raised over HK\$1.1m for the Chest's 2011 Dress Casual Day campaign. We also enable easier giving by our customers through our online e-Donation service, which saw HK\$2.26m in donations to over 60 charitable organisations in 2011. Close to HK\$22m has been given via this channel since its launch in 2001.



## Inspiring Through Sports

Participation in sports helps promote community health and provides valuable lessons about the importance of teamwork, dedication and fair play.

The Hang Seng Table Tennis Academy celebrated 10 years of activity to support talented young players and promote greater participation in the sport. Since its establishment in 2001, over 3,700 activities have been organised for more than 190,000 participants, including 20,000 in 2011. In the past 20 years, we have provided more than HK\$31m to fund training and development programmes for table tennis players and coaches.

Hong Kong's top athletes contribute to community pride and provide positive role models for young sporting stars of tomorrow. Since 1996, the Hang Seng Athlete Incentive Awards Scheme, a joint initiative with the Hong Kong Sports Institute, has awarded over HK\$26.6m to recognise and reward excellent performances by local sporting heroes. We will continue our support for Hong Kong's athletic achievers at the 2012 London Olympic and Paralympic Games.



# Additional Information

A B C

## Assurance Statement

### Assurance Statement



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SustainAsia Ltd has been commissioned by Hang Seng Bank Limited (HASE) to provide independent verification of HASE's 2011 *Corporate Responsibility (CR) Report*.

#### Scope of verification and methodology

The verification process was performed in April 2012 and its objectives were to provide an independent opinion on the completeness and overall quality of the 2011 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 2011 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.

#### Conclusion

Within the scope of our assignment, we have assessed the quantitative data and qualitative statements sampled from HASE's 2011 CR Report and verified their accuracy. We consider this report a balanced, comprehensive and accurate presentation of Hang Seng Bank's CR performance in 2011 and that the report meets the GRI A+ application level.

**Christophe Bongars**  
**Chief Executive Officer, SustainAsia Ltd**  
24<sup>th</sup> April 2012

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