



恒生銀行
HANG SENG BANK

(Stock Code: 11)

Recognising Sustainability Values



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Member HSBC Group

Corporate Sustainability Report
2016

About This Report

Report Profile

The Hang Seng Bank Corporate Sustainability Report (Report) provides information on Hang Seng Bank's (referred to herein as Hang Seng or the Bank) principles and actions as a corporate citizen operating in the financial sector and its relationships with major stakeholders.

This Report describes the Bank's efforts to support the principles of sustainable development during the calendar year of 2016. The Report focuses on the economic, environmental and social issues that have an impact on the sustainability of Hang Seng and that are of interest to its stakeholders. The Report supplements the 'Corporate Sustainability' section of the Bank's [2016 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 financial year 1 January to 31 December 2016.

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 published in previous Reports, reasons for such restatement are provided.

Reporting Period

Financial accounts data are for the financial year 1 January to 31 December 2016. 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. Unless otherwise stated, the term 'Group' is used in this Report to refer to Hang Seng Bank and its subsidiaries.



Reporting Guidelines

Financial and corporate data included in this Report are directly comparable with data from the Bank's 2016 Annual Report unless otherwise stated. The Report has been compiled with reference to the internationally recognised Global Reporting Initiative (GRI G4 Core) sustainability reporting guidelines, as well as the Environmental, Social and Governance Reporting Guide (ESG Guide) issued by the Stock Exchange of Hong Kong Limited (HKEx).

Assurance

This Report has been independently verified and it is confirmed that the Report has been prepared in accordance with the Core Option of GRI G4 sustainability reporting guidelines and the HKEx's ESG Guide.

Data Collection

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 Report since 2006. Hang Seng's last Report was published in May 2016.



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Chief Executive's Message •

As Hong Kong's leading domestic bank, we recognise our role and responsibilities in serving the evolving needs of customers and the broader community.

Contributing to the development of Hong Kong is central to our sustainable growth strategy. As a good corporate citizen, we lead by example in promoting positive social change, inclusivity and strong community spirit, and proactively addressing sustainability challenges.



Our reach enables us to engage with a diverse range of individuals, companies and organisations. Our objective is to provide the products, services and support that will help them explore their potential and achieve their personal and professional goals.

Recent initiatives to address the key concerns of our stakeholders include enhancing our digital service platforms and network of outlets, implementing policies that support a good work-life balance and provide family-friendly working conditions for staff, and continuing to uphold high corporate governance standards.

Our annual Corporate Sustainability Report sets out our sustainability principles and practices. It provides details of our programmes and activities, and the progress we have made towards reaching our short-term and long-term objectives.

Our 2015 Corporate Sustainability Report was named the '2016 Grand Winner – Best of Annual Reports' and received a Gold Award (Annual Reports – Online Sustainability Report Category) in the international Galaxy Awards, which recognise excellence in marketing communications.



We are a constituent member of several well-respected sustainability indexes, including the FTSE4Good Global Index since 2001, the Dow Jones Sustainability Asia Pacific Index for six consecutive years and the Hang Seng Corporate Sustainability Index series since its establishment in 2010.

In 2011, we became the first domestic bank in Hong Kong to achieve ISO 14001 certification for the environmental management system across our entire network of offices and branches.

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Chief Executive's Message ..

► We will continue to strive for excellence in everything we do by working for the long-term well-being of the community we serve.



Since 2007, we have given HK\$268m in financial support – including HK\$26m in 2016 – for community development initiatives. With a particular focus on young people, we aim to facilitate greater social mobility, encourage new ideas and provide opportunities for personal development.

Recognition of our efforts include receiving a Gold Award for the Hang Seng – HKFWS Youth Mediation Scheme and a Silver Award for the Hang Seng Call for Young Talent in Theatre programme at the 12th China Golden Awards for Excellence in Public Relations, organised by the China International Public Relations Association.

Our 25-year support for the Hong Kong Table Tennis Association reflects our belief in promoting healthy lifestyles and the power of sport to build good team spirit and civic pride. We celebrated the 15th anniversary of the Hang Seng Table Tennis Academy and the outstanding efforts of Hong

Kong athletes at the Rio 2016 Olympic Games by producing two videos that have collectively been viewed nearly 730,000 times across various social media platforms. As part of its community outreach work, the Academy has organised over 5,600 events since its establishment that have collectively benefitted more than 310,000 people.

In an uncertain global environment and competitive operating conditions, demonstrating high sustainability standards is an increasingly important part of maintaining the loyalty and trust of customers, investors, colleagues and other stakeholders. We will continue to strive for excellence in everything we do by working for the long-term well-being of the community we serve.

Rose Lee
Vice-Chairman and Chief Executive
Hang Seng Bank



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Our Values

Strategy

As Hong Kong's leading domestic bank, our strategy for sustainable business growth is built around service excellence. Our initiatives to engage with our stakeholders help ensure we consider a diverse range of perspectives in seeking to meet the needs of our customers, add value for shareholders, provide fulfilling careers for our staff and contribute to building a vibrant local economy and civic pride.

Hang Seng Corporate Sustainability Matrix



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Materiality Assessment

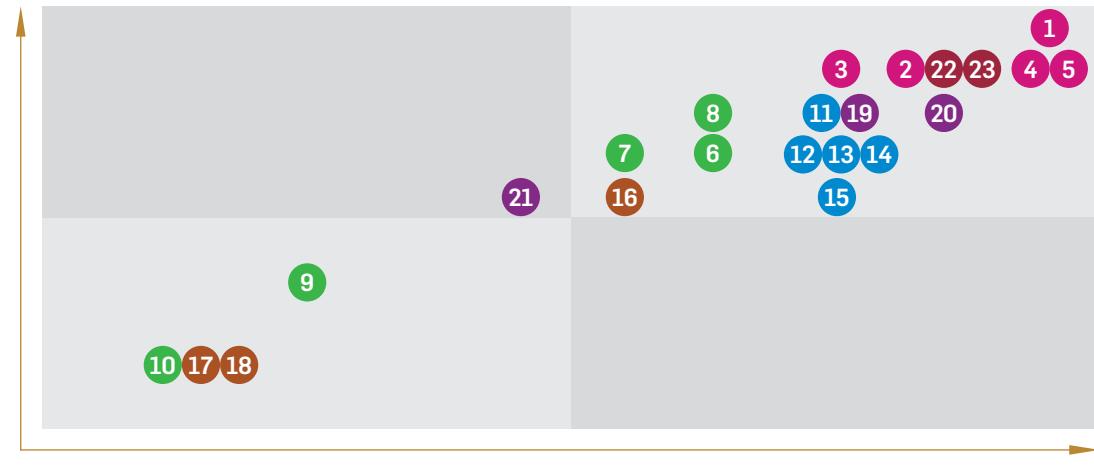
For the purposes of sustainability, our standard of materiality is defined as follows: issues that could have a significant impact on the reputation or viability of our business and/or an impact on a stakeholder's decision as to whether or not to do business with Hang Seng.

Identifying our material aspects

To identify our reportable material aspects, we aligned our stakeholder engagement process with the structure provided in the GRI sustainability reporting guidelines. We asked internal and external stakeholders to rank sustainability issues based on importance. This included asking managers from different business functions and operations to rank the issues according to their significance to our business. We also considered qualitative feedback gathered through formal and informal meetings. This data was then used by our CSR Sustainers to plot and validate a materiality matrix.

Hang Seng's Material Aspects

Stakeholder interest



Economic

1. Economic performance
2. Market presence
3. Procurement practices
4. Compliance
5. Regulatory

Environment

6. Energy and GHG emissions
7. Waste
8. Materials
9. Water
10. Biodiversity

Workplace Practices

11. Employment practices
12. Employee engagement
13. Employee well-being
(Occupational health and safety)
14. Employee development
15. Diversity and equal opportunities

Human Rights

16. Human rights and non-discrimination
17. Child labour and forced labour
18. Security practices

Society

19. Community investment
20. Anti-corruption
21. Public policy and advocacy

Product Responsibility

22. Customer satisfaction and responsibility / Customer experience
23. Customer privacy and cyber security



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Our Principles in Practice

Our mission is to be a profitable, growing business that exceeds the expectations of our stakeholders by delivering service excellence based on core values that include integrity, innovation and financial strength.

Our objective is best achieved by maintaining a strong emphasis on responsible corporate practices throughout our operations and finding new and more effective ways to engage our customers, colleagues and local communities. How we do business is as important as what we do in continuing to refine our strategy for long-term growth.

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



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Stakeholder Engagement

We recognise the benefits of openly and actively engaging our stakeholders, who include customers, staff, shareholders, suppliers and business partners, regulators and the wider community (see table below).

Gaining a deeper understanding of stakeholders' opinions, priorities and values allows us to better

serve their evolving needs, respond proactively and creatively to opportunities and challenges, and build long-term loyalty and trust as a financial services provider, an employer and a good corporate citizen. This approach contributes to the positive development of our community which, in turn, supports our sustainable growth strategy.

By engaging stakeholders through channels as diverse as customer surveys, staff intranet, CSR forums and community-based volunteer activities, we have identified those areas in which our efforts will have the greatest positive impact on sustainable development in Hong Kong.

Stakeholders	Primary Methods of Engagement	Stakeholders	Primary Methods of Engagement
Customers	<ul style="list-style-type: none"> customer satisfaction surveys customer loyalty events relationship manager visits daily operations/ interactions seasonal seminars/ conferences 	Regulators	<ul style="list-style-type: none"> meetings compliance reporting on-site inspection ad-hoc enquiries circulars
Shareholders	<ul style="list-style-type: none"> Annual General Meetings and other general meetings corporate communications, including, but not limited to, letters/ circulars to shareholders and notices of meetings interim and annual reports results announcements 	Media	<ul style="list-style-type: none"> media briefings press materials senior management interviews results announcements social gatherings
Employees	<ul style="list-style-type: none"> employee surveys focus groups face-to-face interviews training and workshops performance and development discussions business briefings volunteer activities CSR forums/ communications staff engagement in CSR projects staff intranet 'town hall' meetings and regular department meetings 'exchange' meetings – small-group meetings between managers and their staff at which the latter drive the discussion 	Non-governmental organisations (NGOs)	<ul style="list-style-type: none"> volunteer activities community investments and donations staff workshops meetings CSR forums / communications visits
Analysts / investors	<ul style="list-style-type: none"> results announcements senior management meetings 	Financial sector peers	<ul style="list-style-type: none"> strategic collaborations Group circulars Group 'town hall' meetings Hong Kong Association of Banks meetings and circulars
Business partners	<ul style="list-style-type: none"> reports meetings visits gatherings and seminars relationship-building events 	Professional bodies	<ul style="list-style-type: none"> meetings visits memberships working groups external audits
		Suppliers	<ul style="list-style-type: none"> vendor risk management processes meetings site visits annual supplier performance review

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Continual Improvement •◦◦

Good corporate sustainability is not a static 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 ESG Guide issued by the HKEx and the internationally recognised GRI guidelines. Adhering to these regulations and guidelines enables us to evaluate our progress in a standardised manner, demonstrate our commitment to sustainability best practices and benchmark our performance against large listed corporations in Hong Kong and leading financial institutions around the world.

The content and structure of our 2016 Report also reflects a number of other factors, including:

- Issues identified through the CSR Sustainers workshop
- Issues arising from stakeholder engagement initiatives
- Issues commonly identified in the banking and finance industry, including benchmarking against other financial institutions
- Use of the materiality assessment and Hang Seng Corporate Sustainability Matrix
- Reference to ISO 14001 environmental management system standard
- Reference to BS OHSAS 18001:2007 occupational health and safety standard

We continue to promote a business culture that encourages our employees to keep corporate sustainability at the centre of our operations. Our CSR Sustainers play a crucial role in motivating and mentoring their colleagues and

ensuring we uphold our principles and enhance our sustainability performance (see box: Best Practice: Building Better Corporate Sustainability From Within).

Best Practice: Building Better Corporate Sustainability From Within

To further enhance employee support for our approach to corporate sustainability, we organised our first inter-departmental CSR Sustainers workshop in 2011. These workshops, which have since become an annual event, help us identify our material corporate sustainability issues and ways in which to further enhance engagement with internal and external stakeholders.

Key responsibilities of our CSR Sustainers include:

- Identifying issues that have an impact on our sustainability performance
- Ensuring that our day-to-day business operates in line with our sustainability beliefs
- Collecting and recording data to facilitate sustainability reporting
- Taking the lead in developing and promoting new sustainability initiatives

We promote our sustainability initiatives and provide a summary of the Bank's sustainability principles on our intranet, which is accessible by all members of Hang Seng staff. We also encourage employees to read our Corporate Sustainability Report and to provide their feedback on its content.

At a CSR forum we organised in October 2016, 240 colleagues learned more about the health and environmental benefits of vegetarian and plant-based diets from Mr David Yeung, co-founder of Green Monday.



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Sustainable Business Success: Keystone Principle and Core Values

How we do business reflects our core values, which underlie our decision making, policies and actions. These values 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 and without ever compromising the high ethical standards 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.



Leadership and Innovation

We are the leading domestic bank in Hong Kong, with a strong brand, extensive branch network and large base of customers. 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 with customers, business associates and community groups based on the loyalty and trust we build through championing open dialogue.



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.

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Our Business

Who We Are



Founded in 1933, Hang Seng is one of Hong Kong's largest listed companies.

Our market capitalisation on 31 December 2016 was HK\$275.9bn. With around 10,000 employees and about 260 service outlets, Hang Seng serves over half the adult residents of Hong Kong. We also maintain branches in Macau and Singapore and a representative office in Taipei.

Established in 2007 and headquartered in Shanghai, our wholly owned mainland China subsidiary **Hang Seng Bank (China) Limited** has outlets in Beijing, Shanghai, Guangzhou, Shenzhen, Fuzhou, Nanjing, Dongguan, Hangzhou, Ningbo, Tianjin, Kunming, Xiamen, Chengdu, Jinan, Foshan, Zhongshan, Huizhou, Zhuhai, Jiangmen and Shantou.



Hang Seng is a principal member of the HSBC Group, one of the world's largest banking and financial services organisations.

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Our Business

What We Do

The Bank's major business activities comprise retail banking and wealth management, commercial banking, global banking and markets, and private banking. The Bank also offers a comprehensive range of renminbi services.



Retail Banking and Wealth Management

Retail Banking and Wealth Management offers a broad range of products and services to meet the personal banking, consumer lending and wealth management needs of individual customers. Personal banking products include current and savings accounts, mortgages and personal loans, credit cards, insurance and wealth management.



Commercial Banking

Commercial Banking offers a comprehensive suite of products and services to corporate, commercial and SME customers – including corporate lending, trade and receivables finance, payments and cash management, treasury and foreign exchange, general insurance, key-person insurance, investment services and corporate wealth management.



Global Banking and Markets

Global Banking and Markets provides tailored financial solutions to major corporate and institutional clients. Based on a long-term relationship management approach, its services include general banking, corporate lending, interest rates, foreign exchange, money markets, structured products and derivatives. Global Banking and Markets also manages the funding and liquidity positions of the Bank and other market risk positions arising from banking activities.



Hang Seng Indexes

Wholly owned subsidiary Hang Seng Indexes Company Limited (Hang Seng Indexes) compiles and manages the Hang Seng Index (HSI), which was launched in 1969, and an expanding range of other indexes tracking various segments of stock markets in Hong Kong and on the Mainland. As the leading index tracking the Hong Kong stock market, the HSI indirectly provides a tool for trading the shares of blue-chip companies in Hong Kong.

Hang Seng Indexes launched the Hang Seng Corporate Sustainability Index Series in 2010, which covers companies that perform well with respect to corporate sustainability and provides benchmarks for sustainability investments.

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Our Performance

Our operating principles and strategy are designed to enhance our position as the leading domestic bank in Hong Kong and a preferred choice of personal and corporate clients for wealth management and trade solutions in the Greater China region while contributing to the positive development of our community and achieving sustainable growth.

In addition to providing quality banking and financial services, our investment in and support for a broad range of youth development, social welfare, sports development and environmental stewardship initiatives is helping to create a well-educated, inclusive and healthy society.



We make direct economic contributions to Hong Kong in a number of ways, including through tax payments and, with nearly 10,000 employees, by being one of the city's largest private sector employers.

Examples of our indirect economic contributions include our strong support for SMEs. By working with these homegrown businesses, we support the local economy and create new employment opportunities and wealth.

Our senior management team contributes valuable knowledge and expertise not only by serving as Directors on the boards of other large Hong Kong companies, but also by being a part of various think-tanks that focus on economic and social issues, serving as members of Government advisory groups and industry organisations, and taking up senior positions on the boards and committees of NGOs and charitable organisations that are working to solve economic and social challenges in Hong Kong.

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Our Performance

Performance by the Numbers •◦

FINANCIAL

	2016	2015	2016 vs 2015
Operating profit (HK\$m)	19,034	19,439	-405
Profit attributable to shareholders (HK\$m) ¹	16,212	27,494	-11,282
Shareholders' funds (HK\$m)	140,626	141,981	-1,355
Total assets (HK\$m)	1,377,242	1,334,429	+42,813
Total liabilities (HK\$m)	1,236,556	1,192,448	+44,108
Earnings per share (HK\$) ¹	8.30	14.22	-5.92
Dividends per share (HK\$)	6.10	8.70	-2.60
Return on average ordinary shareholders' funds (%) ¹	12.10	20.70	-8.6
Return on average total assets (%)	1.20	2.10	-0.9
Cost efficiency ratio (%)	33.50	33.80	-0.3
Average liquidity coverage ratio (quarter ended 31 Dec) (%)	253.60	195.00	+58.6
Average liquidity coverage ratio (quarter ended 30 Sep) (%)	284.00	237.20	+46.8
Average liquidity coverage ratio (quarter ended 30 Jun) (%)	257.10	221.60	+35.5
Average liquidity coverage ratio (quarter ended 31 Mar) (%)	257.10	167.40	+89.7
Capital Ratio under Basel III:			
Common Equity Tier 1 ('CET1') Capital Ratio (%)	16.60	17.70	-1.10
Tier 1 Capital Ratio (%)	17.90	19.10	-1.20
Total Capital Ratio (%)	20.80	22.10	-1.30

Data coverage: Hang Seng Group

¹ Partial disposal of shareholding in Industrial Bank Co., Ltd. (Industrial Bank) in 2015

Reported results for 2015 include a HK\$10,636m gain on the partial disposal of the ordinary shares of Industrial Bank. Figures quoted as "excluding the gain on the partial disposal of Industrial Bank" have been adjusted for the above item. Key financial results and performance metrics that exclude the gain on the partial disposal of Industrial Bank are set out below for comparison purposes:

	2016	2015
Profit before tax (HK\$m)	19,090	19,852
Profit attributable to shareholders (HK\$m)	16,212	16,858
Return on average ordinary shareholders' equity (%)	12.1	12.6
Earnings per share (HK\$)	8.30	8.66

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Performance by the Numbers ••

ECONOMIC

	2016	2015	2016 vs 2015
Tax expenses (HK\$m)	2,886	2,994	-108
Number of employees (31 Dec – FTE)	9,708*	10,141	-433
Employee compensation and benefits (HK\$m)	4,807	4,893	-86
Number of shareholders (31 Dec)	18,937	19,026	-89

Data coverage: Hang Seng Group

* Included the FTE of Hang Seng Qianhai Fund Management Company Limited on the Mainland

COMMUNITY

	2016	2015	2016 vs 2015
Number of outlets (31 Dec)	270	250	+20
Number of customers as at 31 Dec (m)	>3	>3	--
Community investment (HK\$m)	26	26	--

ENVIRONMENTAL

	2016 ^A	2015 [#]	2016 vs 2015 (%)
Greenhouse gas emissions (kilotonnes CO ₂) ^{Note}	24.27	25.91	-6.33
Electricity consumption (GWh)	36.65	36.43	+0.6
Water consumption ('000 m ³)	69.80	66.91	+4.32
IT/electrical waste recycled (tonnes)	47.22	41.06	+15

Key: CO₂: Carbon dioxide GWh: Gigawatt hours m³: Cubic metres

^A From 1 Oct 2015 to 30 Sep 2016

[#] 1 Oct 2014 to 30 Sep 2015

^{Note} Includes greenhouse gas emissions arising from energy

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Recognition



Business Awards and Recognition

- Best Bank – Domestic (Hong Kong) (17th consecutive year)
The Asset
- Best Private Bank in Hong Kong
Global Finance
- Best SME's Partner Award
The Hong Kong General Chamber of Small and Medium Business
- Hong Kong Domestic Trade Finance Bank of the Year
Asian Banking & Finance
- Trusted Brands Gold Award – Bank (Hong Kong)
Reader's Digest



Corporate Sustainability Recognition

- Constituent Stock of Dow Jones Sustainability Asia Pacific Index (6th consecutive year)
- Constituent Stock of FTSE4Good Global Index (15th consecutive year)
- Constituent Stock of Hang Seng Corporate Sustainability Index Series (7th consecutive year)
- Constituent Stock of Hong Kong Business Sustainability Index (since its establishment in 2015)
- First bank in the world to achieve compliance with international occupational health and safety standard BS OHSAS 18001:2007 (2009)
- First local Hong Kong bank to attain ISO 14001 certification for all offices and branches (2011)
- Hong Kong Council of Social Service Caring Company (14th consecutive year)
- Junzi Corporation Award (6th consecutive year)



Compiled with reference to the GRI G4 sustainability reporting guidelines, our 2015 Corporate Sustainability Report was named the '2016 Grand Winner – Best of Annual Reports' and received a Gold Award (Annual Reports – Online Sustainability Report Category) in the international Galaxy Awards, which recognise excellence in marketing communications.

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Our Performance

Credit Ratings

HANG SENG BANK

Moody's

Long-term Bank Deposit (local and foreign currency)	Aa2
Short-term Bank Deposit (local and foreign currency)	Prime -1
Outlook	Negative

Standard & Poor's

Long-term Counterparty Credit (local and foreign currency)	AA-
Short-term Counterparty Credit (local and foreign currency)	A-1+
Outlook	Stable

HANG SENG CHINA

Moody's

Long-term Bank Deposit (local and foreign currency)	A2
Short-term Bank Deposit (local and foreign currency)	Prime -1
Outlook	Negative

Standard & Poor's

Long-term Counterparty Credit (local and foreign currency)	AA-
Short-term Counterparty Credit (local and foreign currency)	A-1+
Outlook	Negative

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Our Corporate Governance

Our credibility as a leading financial institution in Hong Kong relies on our operational integrity and the transparency of the information we provide to stakeholders. Upholding strong corporate governance, adhering to the highest ethical standards and effectively managing risk are essential to being an accountable, transparent and well-managed company.

Compliance issues are discussed and reviewed by the Board of Directors and various Management Committees. The Board has collective responsibility for promoting the long-term sustainability and success of the Bank by providing forward-thinking leadership within a framework of prudent and effective controls.

The Board upholds high standards of integrity and ethics. Matters relating to internal control and risk management governance as well as policies and practices on compliance with legal and regulatory requirements are considered at Board meetings.

In line with the HKEx's Corporate Governance Code, the Board is responsible for evaluating and determining the environmental, social and governance (ESG) risks faced by the Bank, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. A review of the effectiveness of the Bank's ESG risk and internal control systems was conducted and a confirmation was reported to the Board.



Our staff are on the frontlines in maintaining the strength of our corporate reputation and in ensuring we always operate ethically, honestly and with full accountability. We provide employee training covering issues ranging from banking regulations and codes of practice to equal opportunities and data privacy. As part of our zero-tolerance stance on financial crime, we place strong emphasis on training programmes that ensure our staff are well-informed and remain vigilant as regards the detection and prevention of illicit and illegal activities such as bribery and corruption, money laundering and insider trading. Members of staff who work in high-risk roles are required to complete additional specialised

training that will assist them in detecting, deterring and protecting against financial crime.

We have comprehensive systems to ensure the appropriate use and protection of all data, particularly in relation to customer information and privacy issues. We also have robust 'know your customer' and assessment processes designed to minimise our exposure to the risk of establishing relationships with individuals or organisations engaged in activities such as money laundering, terrorism and irresponsible environmental practices, and/or in operations that may involve forced or child labour or violate indigenous or other human rights.

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Our Corporate Governance

Corporate Governance Structure • ○ ○ ○ ○

Hang Seng is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders. The Bank follows the module on 'Corporate Governance of Locally Incorporated Authorised Institutions' under the Supervisory Policy Manual (SPM) issued by the Hong Kong Monetary Authority (HKMA). The Bank also fully complies with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). The Bank constantly reviews and enhances its corporate governance framework to ensure that it is in line with international and local corporate governance best practices. This ongoing process includes making reference to market trends and practices as well as to guidelines and requirements issued by regulatory authorities.^{Note}

Board of Directors

As at 21 February 2017, the Board consists of 17 Directors, of whom three are Executive Directors and 14 are Non-executive Directors (NEDs). Among the 14 NEDs, nine are Independent Non-executive Directors (INEDs). Four of the 17 Directors are female.

There is a strong independent element on the Board to ensure the objectivity of its assessments and decision-making as well as its thoroughness and impartiality in overseeing the decisions and performance of Hang Seng's management.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, banking and professional expertise. Both as individual Directors and collectively, the members of the Board possess appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge their responsibilities adequately and effectively. In addition, the Board collectively has knowledge and expertise relevant to each of the material business activities that the Bank pursues, and their associated risks, in order to ensure effective governance and oversight.

We use a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, opinions of the existing Directors (including the INEDs) will be solicited. The proposed appointment will first be reviewed by the Nomination Committee, taking into account the balance of skills, knowledge and experience on the Board. Upon recommendation of the Nomination Committee, the proposed appointment will be reviewed and, if thought fit, approved by the Board after due deliberation. In accordance with the requirement under the Banking Ordinance, approval from HKMA will also be obtained.

All new Directors are subject to election by the Bank's shareholders at the next Annual General Meeting (AGM) after their appointments have become effective. Further, the Bank's Articles of Association provide that all Directors shall be subject to retirement by rotation at least once every three years. Retiring Directors are eligible for re-election at Bank's AGMs.

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We are committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture in which Directors believe that their views are heard, their concerns are attended to and that bias, discrimination and harassment on any matter will not be tolerated in any form. The Board has adopted a Board Diversity Policy, a copy of which is available on the Bank's website (www.hangseng.com), for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria and with due regard for the benefits of diversity on the Board. These evaluations include, but are not limited to, consideration of a candidate's gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Directors hold different positions in industry associations, professional institutions, government committees and charitable organisations. Biographical details of the Directors are available on the Bank's website (www.hangseng.com).

Board Committees

The Board has set up five Committees – the Executive Committee, the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee – to assist it in carrying out its responsibilities. Each of these Committees has specific written terms of reference which set out in detail their respective authorities and responsibilities. Each Committee

reviews its terms of reference and effectiveness on an annual basis. The terms of reference of all non-executive Committees are available on the Bank's website (www.hangseng.com). Note

All Committees adopt the same governance processes as the Board, as far as possible, and report back to the Board on their decisions or recommendations on a regular basis.

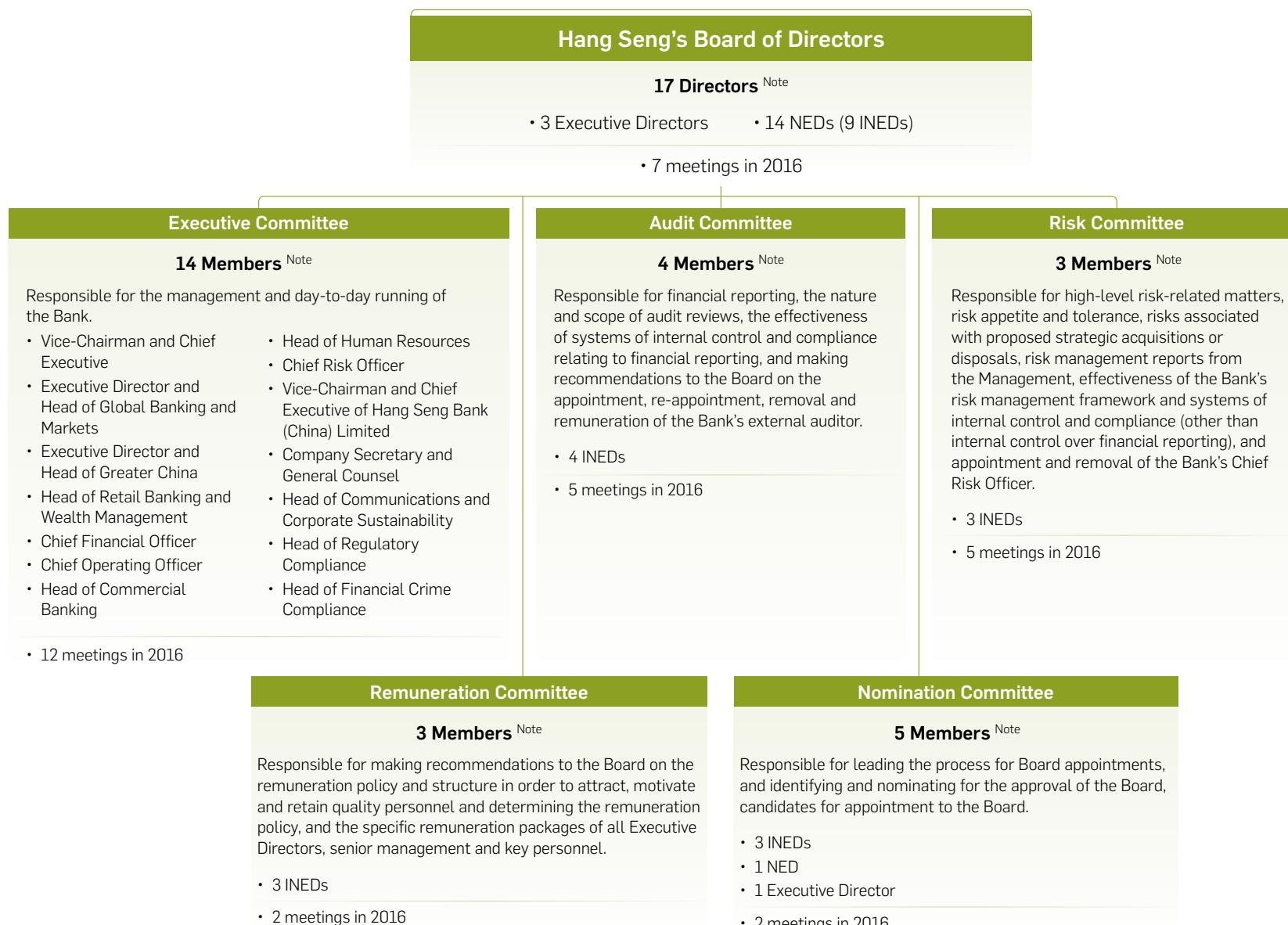


Note: Details of Board Committees can be found on Hang Seng's website.

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

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

Board of Directors

As of 31 December 2016, there were nine Directors on the Hang Seng China Board, including the Chairman, one Executive Director (who is also Vice-Chairman and Chief Executive of Hang Seng China), and seven NEDs. Among the seven NEDs, five are INEDs.

Board Meetings

The Hang Seng China Board held four meetings in 2016.

Board Reports to

The sole shareholder of Hang Seng China is Hang Seng Bank Limited.

Board Committees

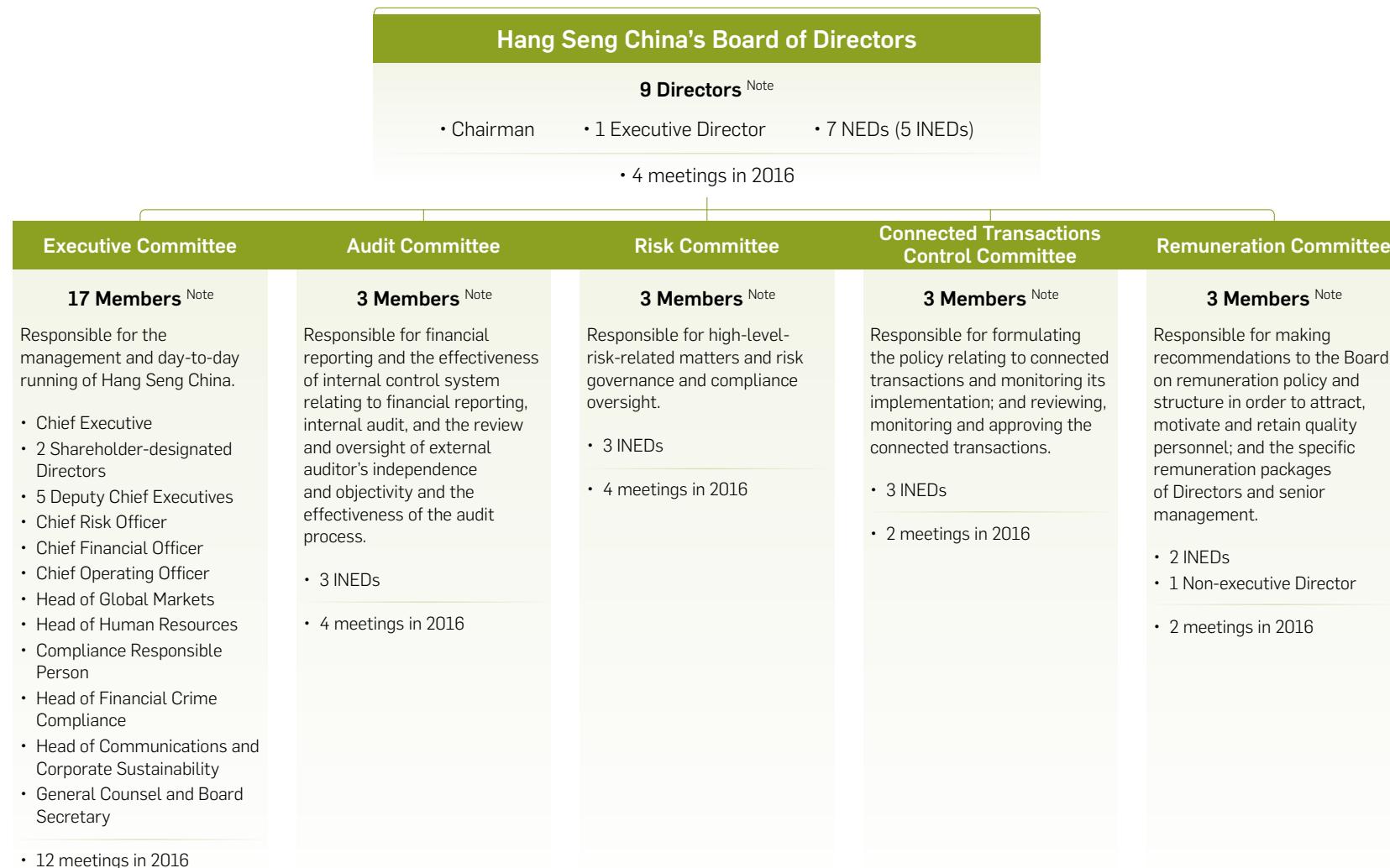
As of 31 December 2016, the Hang Seng China Board had set up five committees: the Executive Committee, the Audit Committee, the Risk Committee, the Connected Transactions Control Committee and the Remuneration Committee. Each committee has specific written terms of reference that set out its authorities, responsibilities and meeting rules.

Note: All information provided on Hang Seng China is to be considered supplementary information for the purposes of this Report.

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Supervisor

Hang Seng China has one supervisor, appointed by and reporting to the sole shareholder, who may sit in on Board meetings. Hang Seng China's supervisor sat in on all Board meetings in 2016.

Note: As of 21 February 2017.

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Our Corporate Governance

Risk Management • ○ ○ ○ ○

All our activities involve the analysis, measurement, evaluation, acceptance and management of some degree of risk or combination of risks. The principal types of risk faced by the Bank are credit risk, liquidity risk, market risk, insurance risk, operational risk and reputational risk.

Our risk management policy is designed to identify and analyse risks, to set appropriate risk limits and to continually monitor these risk exposures by means of reliable and up-to-date management information systems. Our risk management framework/policies and risk appetite statement or major risk limits are approved by the Board and are monitored and reviewed regularly by various Board or management committees.

Robust risk governance and accountability are embedded throughout Hang Seng through an established framework that ensures appropriate oversight of and accountability for the effective management of risk at all levels of the organisation and across all risk types.

The Board has ultimate responsibility for approving the Bank's risk appetite statement and the effective management of risk. The Risk Committee (RC) advises the Board on risk appetite and its alignment with strategy, risk governance and internal controls and high-level risk-related matters.

The ongoing monitoring, assessment and management of the risk environment and the effectiveness of risk management policies resides with the Risk Management Meeting (RMM). On top of the eight types of risks stipulated in the HKMA's SPMs – namely, credit risk, market risk, liquidity risk, interest rate risk, operational risk, legal and compliance risk, reputation risk and strategic risk – the RMM also covers business (including insurance) risk, pension risk, security and fraud risk, and sustainability risk, and is responsible for endorsement/approval of all risk management-related policies.

Our risk appetite statement is a key component of our risk management framework. The Risk Appetite Statement for 2016, which was approved by the Board as advised by the RC, describes the types and amount of risk that the Bank is prepared to accept in achieving its medium and long-term strategic goals.

The RMM regularly reviews and monitors the Group's risk appetite profile against the limits set out in the Risk Appetite Statement and determines appropriate management action in any instances of deviation from the approved limits. The risk appetite profile is also reported to the RC and Board by the Chief Risk Officer, including details of any material deviation and management action where required.



In addition to the existing due diligence process, a Product Oversight Committee reporting to the RMM and comprising senior executives from risk, legal, compliance, finance and operations/IT functions, is responsible for reviewing and approving the launch of any new product or service. Each new service and product launch is also subject to an operational risk self-assessment process, which includes identification, evaluation and mitigation of risks arising from the new initiative. Internal Audit is consulted on the internal control aspect of new products and services in development prior to implementation.

We support international responsible financing principles and sector-specific guidelines to help manage environment-related sustainability risks (see 'Responsible Banking Services' section). We also require that our business units conduct an overall sustainability risk analysis in relation to all new or existing customers to ensure that the products and services we offer them are in line with our sustainability policies.

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Risk Management

We conduct quarterly reviews to monitor our compliance with our sustainability risk policies with respect to our corporate customers. As of December 2016, we were in full compliance.

We maintain documented Business Continuity Plans for critical operations and significant risks, including arrangements for recovery site operations and a clearing and settlement services contingency plan to ensure that critical operations will remain functional in emergency situations.

Internal Controls

The primary role of the Internal Audit function (INA) is to help the Board and executive management protect the assets, reputation and sustainability of the Bank. INA provides independent and objective assurance as to whether the design and operational effectiveness of the Bank's framework of risk management, control and governance processes, as designed and represented by management, is adequate.

The Bank has adopted a risk management and internal control structure, referred to as the 'Three Lines of Defence', to ensure it achieves its commercial aims while meeting regulatory and legal requirements, and its responsibilities to shareholders, customers and staff. INA's role as the 'third line of defence' is independent of the first and second lines of defence. The Bank's Head of Audit reports to the Chairman of the Board and the Audit Committee.

Results of audit work together with an assessment of the overall risk management and control framework are reported to the Audit Committee and the Risk Committee as appropriate. INA also reviews the action plans developed by senior management in response to the audit findings and verifies the adequacy and effectiveness of suggested actions before formally closing the issue.



Compliance

Our key values include a 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, 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.

Matters relating to internal control and risk management governance as well as policies and practices on compliance with legal and regulatory requirements are considered at Board meetings. Regular Business Governance Reports on financial crime compliance and regulatory compliance are submitted to the Executive Committee.

Among other things, the Audit Committee reviews our financial reporting, the nature and scope of audit reviews and the effectiveness of our systems of internal control and compliance relating to financial reporting.

Inside Information

We have established a robust framework for the disclosure of inside information in compliance with the Securities and Futures Ordinance. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow shareholders, customers, staff and other stakeholders to 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.



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Our Corporate Governance

Risk Management

Anti-money Laundering and Counter-terrorist Financing, Sanctions, and Anti-bribery and Corruption

We maintain high financial crime controls across our business and have robust systems and measures for detecting, deterring and protecting our business from involvement in financial crimes such as money laundering, the violation of sanctions, and bribery and corruption. Our protective measures include, but are not limited to, the following:

- application of our 'Three Lines of Defence' framework to reinforce a culture of accountability for managing financial crime risk across the Bank;
- adoption of enhanced financial crime risk management approaches (as determined and stipulated by the HSBC Group) to ensure all relevant risks are within the risk appetite of the Bank; and
- strengthening the relevant competences of employees with tailor-made financial crime risk training.

We have stringent internal guidelines and procedure manuals that detail regulations, guidelines and HSBC Group policies with respect to customer due diligence, monitoring, financial sanctions and terrorist financing, and reporting of suspicious transactions, as well as related staff training and record-keeping. All Bank staff are required to observe such policies and practices.

We take a zero-tolerance approach towards bribery and corruption. Matters and policies that relate to anti-bribery and corruption are submitted to the Board and Chief Executive for consideration and comments. The Bank has also set up an Anti-bribery and Corruption team under the Financial Crime Compliance division to oversee such matters. Its main functions include, but are not limited to, the following:

- reviewing gifts, entertainment and other advantages received or offered by staff and the Bank;
- monitoring relationships and performance of third parties that perform services for or on behalf of the Bank and interact with external parties on behalf of the Bank;
- ensuring charitable giving is not used for illicit activities or as an indirect way to commit an act of bribery;
- ensuring all recruitment must be meritocratic, fair and ethical. Hiring of individuals, irrespective of whether it is on a temporary or permanent basis and/or in a paid or unpaid role, must not be used to improperly influence business development or relationships;
- drafting and overseeing compliance with related policies; and
- providing relevant recommendations to the Bank's Chief Executive and Board.

To ensure our staff comply with the requirements imposed by relevant legislation and uphold high ethical standards, all employees are required to complete anti-bribery and corruption e-Learning programmes.

In order to mitigate potential compliance, regulatory and reputational risks associated with violations of sanctions laws and regulations and the risk of conducting business with sanctioned parties, we have adopted the HSBC Group's Global Sanctions Policy (Policy). The Policy applies to our entire business operations, including Hang Seng China and our overseas branches.

The Policy was developed with reference to laws, regulations, regulatory guidance and trends in sanctions application and enforcement under the regulatory regimes of the following authorities: the United Nations, the United Kingdom, Hong Kong, the European Union and the United States of America. To meet the Policy's requirements, Hang Seng has adopted the standards set forth in the HSBC Group Policy. These include:

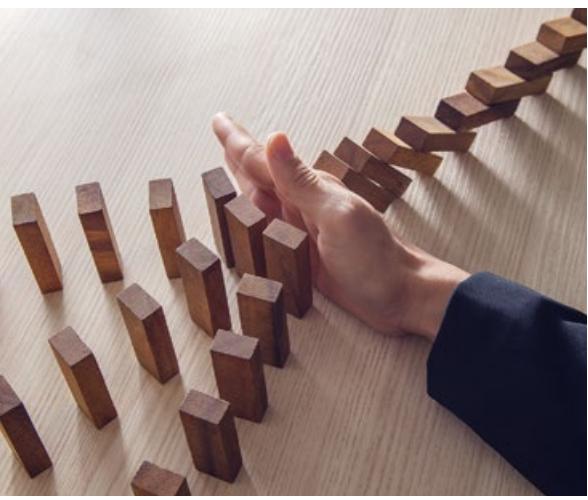
- complying with all applicable sanctions programmes imposed by HSBC's regulators;
- screening customers, connected parties and other related parties (as defined in the Policy) as well as certain parties taking part in transactions;
- evaluating and, when appropriate, escalating screening results;
- preparing and issuing necessary reports to various authorities;
- providing sanctions training for staff;
- retaining appropriate sanctions and reporting records;
- designating responsible individuals for programme operation and administration; and
- conducting an annual assessment of sanctions risk.

Our Corporate Governance

Risk Management

Staff Code of Conduct

To ensure the Bank operates according to the highest standards of ethical conduct and professional competence, all staff are required to strictly follow the Code of Conduct contained in our Staff Handbook. With reference to the applicable regulatory guidelines and other industry best practices, the Code sets out the ethical standards and values to which all Bank staff are required to adhere, as well as information on various relevant legal and regulatory issues.



Topics covered by the Code include corporate values and business principles; staff borrowing, lending and dealing; employee bankruptcy; money laundering and sanctions; conduct in obtaining and/or granting business and business facilitation; outside directorships, employment and commercial interests; copyright and intellectual property; security and fraud prevention; social media; equal opportunities policy and conflicts of interest.

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 e-Learning programmes that cover anti-money laundering, sanctions, and anti-bribery and corruption issues 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, and code of banking practices.

Conflicts of Interest

We have established standards and implemented policies and procedures to manage actual or potential conflicts of interest involving our staff. Stringent internal structures have been designed to ensure adequate segregation of duties and avoid conflicts of interest. Staff working in sensitive or high-risk areas are required to adhere to job-specific rules and undergo training regarding how to avoid conflicts of interest in carrying out their duties.

Whistle-blowing

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

Competition Ordinance

The Competition Ordinance (Ordinance) came into effect in Hong Kong on 14 December 2015. Our Legal division led an extensive programme of risk mitigation actions across all businesses and functions in Hong Kong to ensure we fully comply with the Ordinance. This work complements our ongoing wider programme of competition risk mitigation. Training to enhance staff knowledge of the requirements of the Ordinance was launched in October 2015.

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Data Privacy

Ensuring the privacy of customer 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 the data and privacy of customers. Specific processes for the handling and protection of customer data are set out in the relevant internal procedure manual. Data privacy matters are overseen by the Head of Regulatory

Compliance and the Data Protection Officer. Data Controlling Officers have been appointed at the functional and business unit level to promote data protection and disseminate information on related new guidelines or developments.

Cyber Security

We have established a working group to oversee cyber security at the Bank. The primary responsibilities of the working group is to ensure cyber security risks are managed effectively and to oversee issues and activities related to information security risks.

We engaged an independent consultant to assess the effectiveness of the Bank's cyber-security risk management and continue to enhance our system of cyber-security controls to protect the Bank's information assets and systems against cyber-attacks.

All members of staff are required to complete cyber-security awareness training and/or review cyber-security-related materials as part of our efforts to identify and prevent cyber-attacks.

Equal Opportunities, Anti-discrimination and Human Rights

We comply with all relevant Hong Kong labour laws. We also take steps to assess potential new client and supplier relationships with the aim of minimising the risk of indirectly facilitating the violation of any individual's labour or human rights.

We provide staff training on the equal opportunities, diversity and human rights-related issues that are relevant to our operations and to creating a positive working environment.

We follow the Board Diversity Policy, which was adopted by the Board in May 2013. More details on our equal opportunities policies and training can be found in the 'Our Staff' section of this Report.

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Our Corporate Governance

Responsible Banking Services •

Lending and Investment Policies

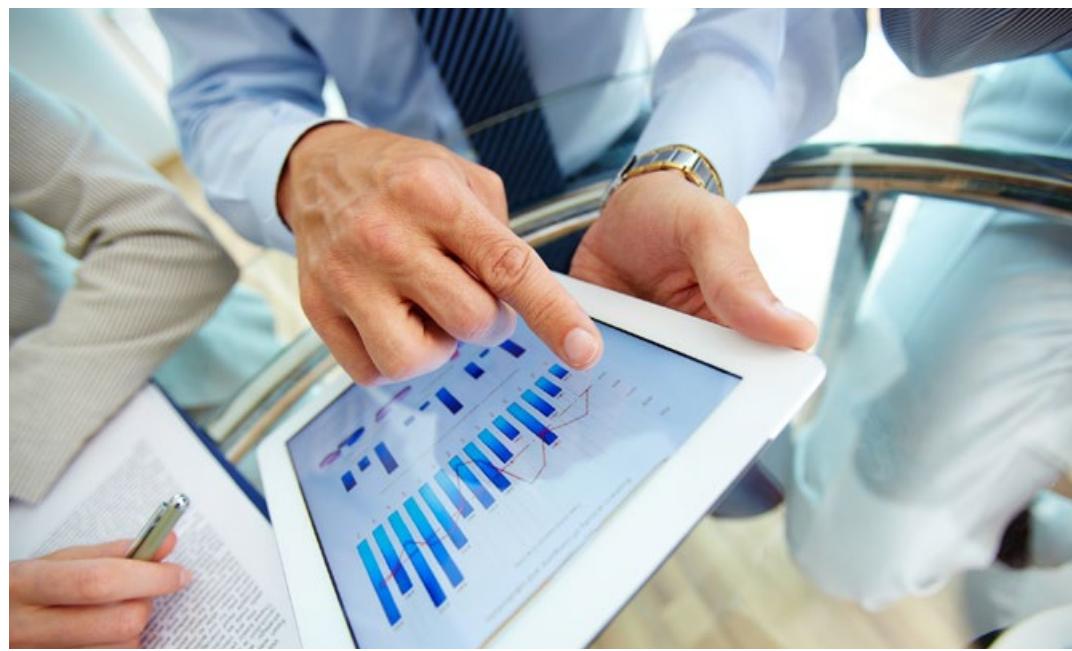
Our financing decisions reflect our business principles, risk assessment processes and the needs of our customers.

Our credit evaluation process includes assessment of any potential environmental or socially sensitive-related risks. Measures to enable us to monitor the implementation of and compliance with environmental and social requirements by our clients are included in our financing agreement credit assessment process. In cases of material deviation from the required standards, we will work with the customer to establish a target date for compliance. Where no progress is made or in instances of a serious breach, we will exit the relationship.

For environmental risk-related matters, we follow the sustainability risk requirements laid down in the Bank's Corporate Lending Guidelines and FAQ on sustainability risk policies. We have adopted the Equator Principles, a set of voluntary guidelines which define a process for implementing common sustainability standards in project finance. We have specific guidelines on lending to businesses operating in environmentally sensitive sectors such as chemicals, energy, forestry, freshwater, mining and metals, agricultural commodities, and World Heritage Sites and Ramsar wetlands. These guidelines are refined and updated as required. We also have a Defence Equipment Policy which clarifies the Bank's approach to companies connected to the weapons industry.

We disseminate updates to environmental or social risk-related policies to all relevant parties on a timely basis. The latest versions of the policies and guidelines can be accessed by relevant members of staff through the Bank's intranet at any time. We also organise sustainability risk seminars to increase staff awareness. Training programmes for environmental and social policies are in place, including as part of our New Joiners Induction Programme, to improve staff competency in implementing these policies and procedures as applied to our various business lines.

Environment-related impact assessments are a continuous process and have been incorporated into parts of our standard credit evaluation process, e.g. sustainability risk ratings for credit approvals. Regular tracking reports are compiled by the Risk and Compliance with input from business units. Customers that are not able to comply with our environmental policies and requirements by our specified deadlines must obtain our formal approval for a temporary exemption or time extension. Failing this, our relationship managers will begin arrangements to exit the relationship.



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Our Corporate Governance

Responsible Banking Services •



Forest Land and Forestry Products Sector

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



Agricultural Commodities Sector

Requires us to undertake special assessments of customers involved with soy production, cattle ranching or rubberwood production in certain high-risk countries.



Freshwater Infrastructure Sector

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



Energy Sector

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



Defence Equipment Sector

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



Chemical Industry Sector

Highlights the international, regional and national standards we adhere to when lending to the chemical industry and outlines how we will work with our customers towards sustainable chemical manufacturing.



Mining and Metals Sector

Sets out the principles and standards that govern our involvement in the mining and metals sector, including exploration, extraction, mine closure and reclamation, and primary processing. It also provides guidance regarding the assessment of customers linked to human rights abuses and of customers with poor track records on work-related fatalities and accidents. We will not provide financing for new thermal coal mines or new customers whose business includes thermal coal mines or mountaintop coal mining in the US.



World Heritage Sites and Ramsar Wetlands

Aims to ensure we avoid supporting projects that may damage culturally important or ecologically sensitive areas.

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Our Customers

Our commitment to customer-centred service puts strong emphasis on building long-term relationships. Since opening our doors nearly 85 years ago, core values such as professionalism, passion and taking a prudent-but-progressive approach have earned us the trust and loyalty of our customers. Our services are currently used by more than half of the residents in Hong Kong.

We deliver service excellence by combining innovation with integrity in offering our products and services, including clear and honest information that is tailored to the specific needs of different customers, open communication and full accountability in all our business dealings, and high respect for client privacy. We are strengthening connectivity with customers by investing in technology and data analytics, mobile and online channels, network enhancement and product development.

We work to improve financial literacy within our community, with the objective of empowering individuals and businesses to achieve financial security and move forward with their wealth management goals.

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GLOBAL BUSINESS

Our Customers

Understanding the Needs of Our Customers

A deep understanding of the financial needs and objectives of our customers underpins our reputation for service excellence. We provide channels such as suggestion forms and hotlines for customer-initiated feedback. We proactively gather customer opinions – including through comprehensive surveys to assess customer satisfaction – to enhance our ability to provide outstanding service.

We identify our strengths, areas for improvement and industry best practices through local market benchmarking exercises. We also operate a mystery-shopping programme to monitor and ensure quality service by our frontline staff at our manned outlets. Data analytics plays an important role in how we gauge the performance of our products and services and identify enhancement opportunities. Building on analytic insights, we use focus groups to help affirm that new products and services will meet the needs of their intended audiences. We also continuously review the customer experience across service touch-points to enhance our service delivery.

We closely monitor markets to identify emerging trends and opportunities for offering products and services that will meet unserved or underserved needs of customers. We continue to expand and enhance our digital platforms, which not only allow customers to perform a wide range of investment transactions online, but also provide an array of information to facilitate their financial decision-making.

The annual Banking Study conducted by independent research firm TNS assesses customer satisfaction with respect to the eight major banks in Hong Kong. In the 2016 survey, we were the most recommended bank by customers. We also had the highest-rated banking services among the eight banks – a status we have maintained for 12 consecutive years.

We have participated in the Hong Kong Association of Banks' (HKAB) Annual Banking Services Survey since 2005. The survey gathers input from banks on general banking services and service channels in response to enquiries from and concerns expressed by the government, legislators and regulators.



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Our Customers

Service Excellence

In upholding service excellence as our keystone principle, we continue to receive recognition for our banking and financial services.

Organiser / Award	Category
The Hong Kong Chinese Importers' & Exporters' Association	Outstanding Import & Export Industry Partner Award 2016
The Hong Kong General Chamber of Small and Medium Business	Best SME's Partner Award 2016
Hong Kong Leaders' Choice Brand Awards 2016	Excellent Brand of Indexes
<i>Hong Kong Economic Journal</i> Listed Company Award of Excellence 2016	Blue Chip Category
<i>Ming Pao Weekly</i> Elite Awards 2015	Wealth Management Award
<i>Sing Tao Service</i> Awards 2015	<ul style="list-style-type: none"> • Banking – Credit Card Services • Banking – Branch Services • Internet Banking Services
<i>SkyPost Banking & Finance</i> Awards 2016	<ul style="list-style-type: none"> • My Favourite Wealth Management Banking Service Award • My Favourite SME Banking Partner Award
<i>Asian Banking & Finance</i>	Hong Kong Domestic Trade Finance Bank of the Year 2016
<i>The Asian Banker</i> Transaction Banking Awards 2016	The Best Payment Bank in Hong Kong
<i>The Asset</i> Triple A Treasury, Trade and Risk Management Awards 2016	Best in Treasury and Working Capital – SMEs, Hong Kong
<i>CAPITAL</i> The 7th Merits of Achievement in Banking & Finance 2016	Wealth Management Banking Category
<i>CAPITAL</i> Best of the Best Choice for Executives Awards 2016	Insurance Service Category
<i>CAPITAL</i> Weekly PRO Choice 2016	PRO Choice Award – Commercial Banking



Organiser / Award	Category
<i>EastWeek Hong Kong Service Awards</i> 2016	General Banking Services Award
<i>Economic Digest</i> The Outstanding Brand Awards 2016	Banking (Personal)
<i>HKET e-zone e-brand Awards</i> 2016	<ul style="list-style-type: none"> • The Best of Consumer e-banking Service Provider • The Best of SME e-banking Service Provider
<i>Next Magazine</i> Top Service Awards 2016	Personal Banking Services
<i>The Reader's Digest Trusted Brands Awards</i> 2016	<ul style="list-style-type: none"> • Trusted Brands Gold Award in Bank Category (Hong Kong) • Trusted Brands Gold Award in Credit Card Issuing Bank Category (Hong Kong)
<i>SMBWorld</i> Awards 2016	Best SME Partner (e-Banking)
<i>TVB Weekly</i> Super Brand Award 2016	<ul style="list-style-type: none"> • Super Brand Trusted Bank • Super Brand Credit Card
<i>Metro Finance, Metro Finance Digital & Wen Wei Po RMB Business Outstanding Awards</i> 2016	<ul style="list-style-type: none"> • Outstanding Integrated Banking Business – Customer Services Award • Outstanding Retail Banking Business – Investment Product Award • Outstanding Retail Banking Business – Securities Award • Outstanding Corporate/Commercial Banking – Cross Border Commercial Banking Award
<i>Metro Radio</i> 25th Anniversary: <i>Metro Awards</i> 2016	Mobile Personal Banking Platform

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Our Customers

Handling Customer Feedback

Business units, frontline staff and our Quality Assurance Department (QAD) are collectively 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 other business units in resolving complaints. QAD staff aim to acknowledge receipt of feedback or complaints within two working days and to resolve most issues within seven days. Should the matter require further investigation, QAD will undertake this task and provide a follow-up reply within 30 days. If QAD's investigations identify any issues that require remedial action, line management will take the necessary steps.

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



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Our Customers

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 choice and control in managing their finances. It also means careful planning of our network of outlets and considering the special needs of different demographic groups in our community.

Serving Special-needs Populations

We are working to improve special-needs access to our banking services. Our website is designed with readability and ease of navigation as priorities. As of the end of 2016, we had 235 outlets with wheelchair access, including street-level branches, MTR branches and standalone automated banking centres. At the end of 2013, we began introducing 'Social Caring Counters' at selected branches. These designated counters provide priority service to the elderly, disabled people and other customers in need. As of the end of 2016, we had Social Caring Counters in 21 branches.

As part of our partnership with Hong Kong Seeing Eye Dog Services (HKSEDS), visually impaired customers have been able to bring their HKSEDS assistance dogs into the banking halls of designated Hang Seng branches since 2013. Other initiatives under this partnership include some of our branches being designated as HKSEDS training sites.



In 2016, we installed five voice-navigable automated teller machines (ATMs) for visually impaired customers. By plugging a set of headphones into the ATM, customers can activate voice navigation mode for cash withdrawal, balance enquiry, funds transfer and change password services. These voice-navigable ATMs are currently available at Chai Wan MTR station, Shek Kip Mei estate, To Kwa Wan Branch, Wong Tai Sin MTR station and Kwun Tong MTR station.

Customer Convenience

Designed to particularly appeal to busy professionals and younger customer segments, our 'iPoint' sales and service centres are located in high-traffic areas. All iPoint centres operate from 11:30 to 19:30 from Monday to Saturday, and those in Causeway Bay, Mong Kok, Sheung Shui, Sha Tin and Yau Tong are also open on Sundays.



As of the end of 2016, there were 549 Hang Seng ATMs providing 24-hour ATM services across Hong Kong.

We launched Apple Pay and Android Pay™ services in 2016, which provide customers who are on the move with a convenient, secure and fast way to make payments at a wide range of retail outlets.

Android Pay is a trademark of Google Inc.

The electronic cheque (e-Cheque) service we provide in Hong Kong was extended to the Mainland in July 2016. This paperless service enables one-way cross-boundary joint clearing for HK dollar, US dollar and renminbi e-Cheques between Hong Kong and Guangdong Province (including Shenzhen).

As of 31 December 2016, we had 1.77 million Personal e-Banking customers – up by 7.7% compared with a year earlier.

Transparency, Accountability, Choice

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 clients can make informed decisions.

Our Customers

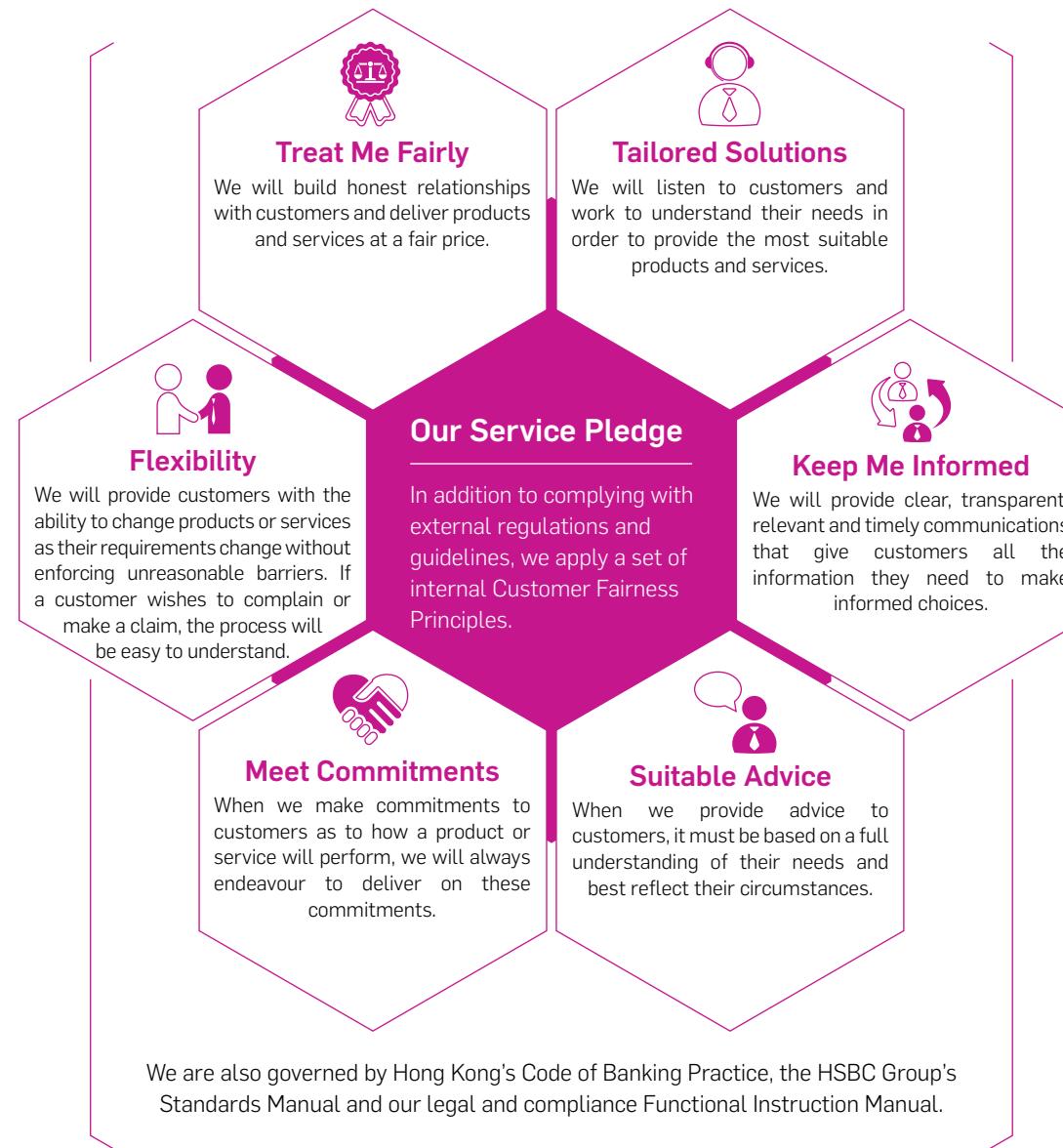
Access for All •

We offer a diverse range of personal banking and wealth management products. Where appropriate, we present several product options so that customers can select the solution that best suits their requirements and, if relevant, is in line with their personal appetite for risk. It is our policy to sell products and services based on customers' specific needs, in line with our principles of '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 marketing and promotional material is designed to provide a clear, concise and comprehensive overview of the features of our products and services, including information on all applicable fees and commissions and all associated material risks.

Customer Privacy

Ensuring the privacy of our customers' personal information and other data is critical in maintaining our reputation for good governance and establishing the trust that underpins lasting business relationships. We comply with the Personal Data (Privacy) Ordinance and have established a set of Privacy Principles to guide staff in protecting customer information. For more information, please see 'Data Privacy' in the 'Corporate Governance' section of this Report. Our branch facilities are designed to offer customers who need to discuss sensitive or confidential financial management matters an appropriate amount of privacy.



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Our Customers

Championing 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 Trade Finance teams provide support to SME customers in handling their trading business. Customers staying on the Mainland can call our Hong Kong toll-free hotline number to make Commercial Banking-related enquiries.

The Hang Seng Green Financing Scheme provides funding for Hong Kong-owned factories in the Pearl River Delta region to acquire green equipment that will enhance energy efficiency and reduce pollution. For business customers that receive endorsement under the assessment process conducted by the Hong Kong Productivity Council (HKPC), we will offer financing of up to 100% on equipment financing loans, as well as other banking privileges and discounts on insurance. Top-up financing is also available to provide extra funds to finance additional equipment acquisitions, service charges, working capital and trade finance needs. In addition, we will donate HK\$1 per HK\$1,000 loan amount to a green fund administered by HKPC for environmental protection activities.¹

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

We regularly run seminars for SME and corporate customers in collaboration with external parties and associations on topics related to financing solutions, cash management, trade finance, taxation and investment markets, and to help

improve financial literacy and increase awareness of relevant financial management tools.

Our continuing commitment to supporting SME businesses in 2016 earned us our 11th consecutive 'Best SME's Partner Award' from The Hong Kong General Chamber of Small and Medium Business and our fifth consecutive 'Hong Kong Domestic Trade Finance Bank of the Year' from *Asian Banking & Finance*.



¹ Subject to a maximum donation amount of HK\$5,000 per customers.

Our Customers

Providing Tailor-made Global Banking Solutions

Hang Seng's Global Banking business provides a broad spectrum of financial services to large corporations and financial institutions. In addition to standard banking products, we provide tailor-made financial solutions to accommodate the specific needs of different customers.

Our recently launched HOST-to-HOST service, which enables the automated and secure exchange of payment files and reconciliation data between customers and the Bank, has enhanced data confidentiality and operational efficiency, and has helped reduce our use of paper.



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Our Customers

Helping Customers Overcome Financial Challenges

We are committed to working with customers facing challenging financial situations.

We provide assessment and advisory services for business customers facing financial challenges. We work with clients to assess their current position and use this to determine the best course of action. This may involve loan/debt rescheduling and restructuring to provide breathing space for a business to get back on track.

Our internal guidelines for working with personal customers 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 that will work with the individual(s) involved to review their specific circumstances. Where a genuine difficulty exists, solutions may include extending a repayment schedule or offering partial relief.

Providing timely market information and appropriate treasury products are among the ways in which we assist customers in fast-changing market conditions. Our dedicated and professional team of dealing specialists, traders and economic analysts provide fully integrated financial solutions and 24-hour global markets coverage. Our well-developed IT infrastructure enables us to deliver quick access to key markets and provide updated financial market information to customers. In response to the volatile market environment in 2016, we developed tailor-made treasury products to help customers better manage foreign exchange and interest rate risks.



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Our Customers

Community Outreach

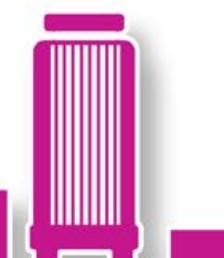
At a broader community level, we are working in partnership with several local non-governmental organisations – including Caritas Family Crisis Support Centre and The Healthy Budgeting Family Debt Counseling Centre under Tung Wah Group of Hospitals – to help individuals in financial difficulty by offering them debt-restructuring services.

Leveraging the core competencies of our staff, we are enhancing financial literacy across all social strata in Hong Kong, including through our participation in the Financial Education programme organised by the HKAB and the Hong Kong Council of Social Service, which provides advice on financial management strategies to individuals from low-income groups.

We also offer specialised financial literacy programmes and seminars for customers. In 2016, we organised quarterly Prestige Banking investment seminars to provide customers with the latest market views from in-house financial experts and external market analysts. Our Prestige Banking customers receive an exclusive quarterly newsletter with an array of market insights and wealth management offers. Copies of the newsletter are available in all our branches and e-versions can be downloaded from our website.



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Our Customers

Service Environment

We aim to provide a comfortable, clean and safe environment in all our branches and service outlets. We design our premises with ease of navigation and compliance with health and safety regulations as top priorities. Floor staff at our manned outlets are also on hand to assist customers with enquiries.

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 Places issued by Hong Kong Government's Environmental Protection Department, we regularly clean air filters and conduct IAQ measurements to monitor and improve on our performance.

The standard temperature set-point in our offices and outlets is 24.5°C during the hot season, with the aim of striking a good balance between reducing our energy consumption while providing a pleasant environment for customers and staff.

To help maintain the continuity of our core banking services in a crisis or public emergency situation, we have a Major Incident Group to lead the implementation and monitoring of contingency plans that have been developed by various divisions of the Bank.

During outlet or office renovations, we endeavour to minimise any disruption to services and customer inconvenience. Actions may include setting up durable hoardings to separate the site works from functioning business areas, and displaying posters and/or signage to inform customers that renovation works are in progress. Whenever possible, we arrange for off-site pre-fabrication of carpentry and/or metallic works to shorten on-site construction and assembly times. We also ask our contractors to carry out noisy and final touch-up painting work outside of our operating hours on weekdays or on weekends and public holidays.

Whenever possible, we choose environmentally friendly building materials and energy-efficient appliances and fittings for outlet and office renovations. Contractors and suppliers are required to follow our guidelines on material recycling and the appropriate handling of construction waste.

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

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

All staff undertake health and safety training and participate in regular emergency evacuation drills to ensure that they can efficiently and effectively identify, eliminate and mitigate potential safety risks for customers and/or themselves, and take prompt and appropriate action in the event of a fire or other emergency situation. We have appointed Fire Marshals among our staff at all our premises. We have also arranged for a number of employees to acquire Qualified First Aider status and take first aid refresher training courses for the benefit of their colleagues and customers in the event of a medical emergency or accident.



Our Suppliers

We rely on various vendors, agencies and third-party financial product suppliers to support the operation of our business. This enables us to offer a diverse range of products and services to customers but potentially also exposes us to increased reputational and other risks. Effective supply chain management is therefore an important part of maintaining the integrity of our operations and we have stringent standards for assessing suppliers, including requirements relating to environmental, social and ethical practices.

We require our contractors and suppliers to adhere to sustainable business practices and the principle of continuous improvement in performance. In return, we provide transparency and fairness in our procurement process and contractual arrangements. Our supply chain requirements are designed to not only safeguard our brand and our business, but also to promote responsible practices among other companies in our community.



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Our Suppliers

Establishing the Right Business Partnerships

We have clear policies for selecting contractors that will provide services in full compliance with our supplier sustainability standards, which cover areas such as ethics, health and safety, employment policies, human rights-related issues and environmental performance.

We do not operate in environments that entail a high risk of human rights violations. An assessment of our operations has not revealed any risk relating to the exercising of freedom of association or collective bargaining rights. Under the current system of assessment, none of our major suppliers and contractors has been identified as having significant risk for incidents of child or forced labour. The Bank is committed to making a positive contribution to human rights in the workplace. We are guided by the International Bill of Human Rights, the UN Universal Declaration of Human Rights, and the principles set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Codes of Practice on Employment promulgated by the Equal Opportunities Commission in Hong Kong. Our Equal Opportunities Policy is stipulated in our Human Resources Manual.

Suppliers must comply with our Ethical and Environmental Code of Conduct for Suppliers of Goods and Services (available for review at: <http://www.hsbc.com/our-approach/risk-and-responsibility/supplier-code-of-conduct>) as set out under the HSBC Group policy. It outlines our economic, environmental and social standards, as well as the requirement of having a reasonable governance and management structure to ensure compliance with this Code.

All of our suppliers have committed to respecting the human rights of their employees and of individuals in their communities and to comply with all relevant legislation, regulations and directives in the countries and communities in which they operate.

Our supplier pre-qualification documents ask contractors to complete a questionnaire covering environmental issues, including whether they have an established environmental management system (EMS) and/or have attained ISO 14001 accreditation, which is assessed as part of the tender process.

A sustainability assessment is included in our purchasing policy documentation to ensure that new suppliers clearly understand our sustainability requirements. This also serves as a useful tool for suppliers to assess their current status in reference to working out a development plan to fulfil the standards required under the policy.

Suppliers with which we have regular and recurring dealings must have demonstrable management processes in place to ensure they comply with our Code of Conduct and must make reasonable efforts to monitor and ensure that their own supply chains are aware of and comply with such standards.

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 apply 'fair competition' principles to all tender applications from appropriately qualified parties, and consider every vendor's proposal in an unbiased, honest and equal way that includes strict adherence to our zero-tolerance corruption and bribery policy.

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Our Suppliers

Monitoring Our Supply Chain

We continue to monitor supplier practices following their appointment and reserve the right to randomly review a supplier's policies, procedures or any other documentation related to our Code of Conduct. In some cases, we may request an on-site audit.

Policies are also in place for guiding the ongoing monitoring and continuous improvement of supplier performance. Our Annual Supplier Review, Vendor Risk Management and Supplier Performance Improvement policies provide clear and detailed information on the standards we expect our suppliers to uphold and how we will assess their performance in this regard.

Our procurement is done on a competitive basis and we have strict procedures governing employee conduct when handling procurement issues. In 2016, we held a workshop to ensure relevant members of staff understand our internal controls and monitoring requirements for vendor risk management.

Our e-procurement systems reduce paper consumption and lead times and provide us with enhanced supplier and information management controls. We encourage our suppliers and contractors to use or offer environmentally friendly and recycled products whenever possible.

For third-party suppliers of financial products and services, we only work with reputable organisations that have a demonstrable track record of upholding high corporate standards. We have rigorous assessment procedures in place to ensure any investment or insurance solution we intend to offer to customers not only meets regulatory requirements but also our internal standards. We conduct regular reviews to help ensure that the services delivered by service providers meet the agreed terms of our service agreements.

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Our Staff

Our staff are our internal stakeholders, the public face of Hang Seng and members of the community we serve. In addition to driving our business success, they play a central role in demonstrating and disseminating our core values and sustainability principles. We recognise and reward talent by offering competitive remuneration and by promoting employee's well-being.

The human resources policies of the Bank are designed to attract people of the highest calibre and to motivate them to excel in their careers, as well as uphold the Bank's brand equity and core values.

We provide a wide range of staff training and development programmes with the aim of cultivating a team of professionals that will contribute to our success.

We promote a culture of personal and professional respect among colleagues and provide a comfortable, inclusive and dynamic work environment that emphasises equal opportunities for all.



We continue to strengthen employee engagement through various channels and activities. We maintain open channels for dialogue between senior management and staff at all levels and encourage employees to take full ownership of their role in our business success.

We support our people in managing their personal and professional commitments through flexible

work arrangements and other family friendly policies. We provide opportunities for our staff to become more involved in the development of the community in which they live and work through our Bank Volunteer team activities.

We are one of Hong Kong's largest listed companies in terms of employees, with close to 10,000 full-time equivalent staff.



We are one of Hong Kong's largest listed companies in terms of employees, with close to 10,000 full-time equivalent staff

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Our Staff

Promoting High Performance

The Bank has a well-established system for appraising employee performance and encouraging a culture of lifelong learning and continuous improvement.

All employees participate in a one-on-one annual review with his or her manager, during which they will discuss and establish challenging but achievable work objectives, measurable performance standards and a personal development plan. To support employees to perform at their best, managers and employees

are encouraged to maintain open and honest dialogue throughout the year with respect to role expectations, feedback on performance and career development. Every employee has a formal performance review at the end of every

year, at which they will discuss their performance and progress in line with previously established goals and objectives. They will also receive a performance rating under the Bank's employee assessment framework.



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Our Staff

Training and Skills Development • • •

We invest in staff training and development to build and sustain a competent, professional and ethical workforce that will contribute to the success of the Bank.

Our commitment to staff development aligns with our recognition that authorised institutions engage and deploy personnel with sufficient skills, knowledge, professional qualifications, experience and soundness of judgment for the responsible discharge of their duties.

Depending on their role, members of staff will receive training in areas such as financial knowledge, banking products and operations, compliance, risk management, leadership

& management, and sales & relationship management. Reinforcement and refresher training programmes help ensure employees have the latest information and skills to carry out their duties to the highest standards.

To further embed the Bank's vision, strategy and values, we have deployed a series of global cultural change training programmes designed to strengthen the mindset of staff and the capabilities of people managers as regards promoting the Bank's culture.

Other internal training is designed to develop employees' capabilities, advance their careers and enhance their management and interpersonal

skills. We offer a Staff Education and Professional Qualification Award Scheme to support members of staff who desire to further their higher education (e.g. undergraduate and postgraduate degrees) and/or attain professional qualifications.

Our New Joiners Induction Programme is designed to ensure all new employees have a good understanding of Hang Seng's history, vision, culture, values, corporate governance, risk management culture and sustainability objectives.



Training per Employee in 2016

Training days

Average no. of training day per employee:

5

Training hours (by gender)

Male **47**

Female **41**

Training hours (by employee category)

Executive **37**

Officer **50**

General staff **38**

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Training and Skills Development • •

Nurturing Talent and Succession Planning

To build and retain a quality internal talent pipeline, we identify and develop individuals who display high potential for leadership roles and other key positions. We have a Leadership and Management Development framework in place to nurture good people management skills and leadership competencies (see box: Building Better Leaders).

Building Better Leaders

The retention and development of high-potential employees supports the sustainable growth of our business. Examples of the specialised training provided under our Leadership and Management Development programmes include:

Talent Development

Talent development through personal feedback and insights. Career coaching and mentoring is provided to accelerate the development of high-potential employees and prepare successors for key roles.

Performance Management

People managers are offered training to enhance their ability to facilitate the personal and professional growth of their team members and, through our Everyday Performance and Development programme, build a values-led high performance culture by providing effective performance feedback and coaching, as well as career development guidance in their interactions with their staff.

Our Charter

Our Charter was launched in 2016 to bring together the Bank's purpose and values in the context of our history and our future, and how this should be used to help us make better decisions when faced with difficult choices. Our Charter encourages employees to act with courageous integrity, to speak up and to use sound judgment when navigating challenging situations. When our staff make principles-based decisions, all our stakeholders benefit and we can achieve sustainable long-term growth.

Culture Change

We run culture change workshops to further embed our corporate values into the daily work of our employees. Our recognition programme rewards positive

behaviours that are aligned with our corporate values and support the Bank's long-term growth strategy. To supplement these formal initiatives, managers use team discussions to guide employees on how to make good decisions that are based on our principles. Employees can also access our online portal that contains relevant reference materials and examples of values-aligned behaviours.

Leadership Development

Our leadership programmes are designed to develop people management skills that drive high performance, create a positive employee experience and build strong leadership capabilities from leading oneself to leading businesses and functions.

Co-op Programme

We operate a 6 to 11-month work placement programme for non-final year university students to gain practical work experience and build the skills and knowledge needed to embark on a successful career in the banking industry.

Summer Internship

We offer non-final year university students 8 to 10-week internships that provide first-hand experience and insights into the fast-changing banking industry, as well as the opportunity to learn more about what it takes to build a long-term career in banking and finance.

Summer Seed Programme

Our Summer Seed Programme is an intensive 10-week work placement initiative for penultimate-year university students that offers the chance to gain valuable experience and a better understanding of the core business functions of banks. Students who perform strongly in the programme may be granted the privilege of early selection for the Bank's Management Trainee Programme.

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Training and Skills Development • • •

Management Trainee Programme

Hang Seng's Management Trainee Programme (MT Programme) is a three-year, fast-track programme for recent graduates who are looking for a career in the banking industry. The MT Programme prepares participants for taking up executive-level positions in one of the Bank's six business functions through an intensive programme that includes comprehensive classroom training on business operations and products and services, exposure to Mainland and overseas business, job rotations within and across business functions, senior management mentorship and support for attaining professional qualifications.



The MT Programme has allowed us to gain exposure across the wide spectrum of commercial banking activities through job rotations and training. With coaching from knowledgeable colleagues and other on-the-job training, we are able to equip ourselves with necessary skills and attitudes to excel in the banking world.

Jeffrey Chan | 2015 Management Trainee, Commercial Banking

With the goal of nurturing future leaders, the MT Programme provides us with opportunities to develop strong management skills through training in areas such as project coordination, risk monitoring and business planning. Cross-border on-the-job training not only provides us with exposure to diverse aspects of the Bank's operations, but also provides insights into how banking is capitalising on and dealing with the challenges of an increasingly digital world. I also really appreciate the efforts of senior management and the working teams in providing us with both practical and psychological support.

Jenny Fung | 2016 Management Trainee, Operations, Services and Technology

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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 employees 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 individual contributions and the performance of the Bank. As part of our staff retention programme, we regularly review reward propositions and career advancement opportunities, particularly for key positions, to ensure market competitiveness.

Fair Rewards for Equal Work

The Bank establishes and operates prudent human resources policies strictly in compliance with Hong Kong's legislation, ordinances and regulations.



An employee's remuneration is determined with reference to performance and market benchmarks. Wage levels are not differentiated by gender.

For temporary or part-time employees, legislative requirements and market practice provide the framework for the negotiation of contractually agreed benefits on an individual basis.

Turnover Rate

Our voluntary turnover rate in Hong Kong for 2016 was 16.3%, representing an improvement on the previous year. We closely monitor staff turnover and gather insights and information through employee exit surveys.

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Our Staff

Employee Engagement and Communication

Effective communication is crucial in building a motivated and engaged workforce. Since 2007, we have conducted regular staff surveys to measure engagement levels and gain insights into perceptions regarding our performance against our strategic objectives and in cultivating a values-led culture. The results of this survey are used to identify motivations, catalysts and barriers with respect to achieving high performance.

Information relating to employment matters, the Bank's business direction and strategies, and factors affecting the Bank's performance are conveyed to staff via different channels, including business briefings, circulars, individual e-mails to employees, our intranet site and morning broadcasts.

Due consideration is given with regard to appropriate notification periods and communication channels for the implementation of any significant operational changes.

Employees are encouraged to engage in two-way communication with senior management or provide feedback through such initiatives as Chief Executive's Mailbox and Post-results Business Briefings.



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Our Staff

Equal Opportunities, Diversity and Inclusion

Our employment practices do not discriminate on the grounds of gender, gender identity, sexual orientation, ethnicity, race, disability, age, religious belief, family status, marital status, pregnancy, socio-economic background or any other aspect of personal difference that is unrelated to job requirements or role. 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 personal differences.

To combat discrimination, harassment and victimisation in the workplace, we have an Equal Opportunities Policy in place. Our human

resources policies comply with relevant government legislation, ordinances and regulations. The principles established in our Equal Opportunities Policy are incorporated into our Staff Code of Conduct with which all staff must comply.

The Bank is committed to promoting diversity and an inclusive work environment where employees feel comfortable to be themselves and encouraged to realise their potential. To achieve this objective and ensure our principles and practices are in line with regulatory requirements, market trends and best industry practices, we regularly review and, when appropriate, revise, our diversity and inclusion policies.

We joined the Gender Focal Point Network in 2016, a Hong Kong government-led initiative to promote the realisation of equal status, rights and opportunities for women in all aspects of life. This network enables us to exchange and share best practices with other industry players and stay up-to-date with the latest regulatory requirements.

In 2015, we launched our Employee Resource Network Group (ERNG) initiative, which encourages the establishment of voluntary, employee-led groups to promote a diverse and inclusive work environment within the context of the Bank's values, brand and business strategy.

All staff receive training on issues such as diversity and inclusion, equal opportunities and data privacy, including as part of our New Joiners Induction Programme. In 2016, we provided about 30,000 hours of training on related policies and procedures, and building greater awareness of human rights issues that are relevant to our working environment and operations.

Diversity and inclusion are well supported in our culture. Gender diversity is important for human capital development. Through tracking and reporting our findings to senior management, we work to ensure a balanced representation of gender is achieved in our employee base at all levels.



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Our Staff

Employee Well-being

Work-life Balance

We enhanced our **paid maternity leave** and **paternity leave** arrangements in 2016.



175 female employees applied
14 weeks maternity leave



303 male employees applied
10 days paternity leave

14 weeks adoption leave
100% return-to-work rate
92% retention rate

2 working days of volunteer leave



Encourage more staff to contribute to the community and to engage in charitable initiatives.



In 2016, about **18,500 colleagues** and their families and friends took part in the Bank-organised recreational activities.

The biennial Hang Seng Singing Contest attracted around **100 contestants** who were supported by about **1,000** members of staff and their invited guests.



More than 1,000 employees

took part in 6 sporting competitions under the Hang Seng Cup.



Health & Wellness

7 x 24 professional counselling service



can be accessed by all employees which is free and confidential.



The Bank enhanced the **Hospitalisation coverage** as a result of a regular review of employee benefits.

Lifestyle & Leisure



In 2016, the Bank launched the **Sabbatical Policy** which gives employees the opportunity to take a 3 to 6 month break from work with core benefits maintained during the leave period.

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Our Staff

Employee Well-being



To encourage staff to plan for their retirement at an early stage, we **expanded the choice of fund options** in the Defined Contribution Scheme in 2016.



The **staff housing loan policy was enhanced** to enable more employees to enjoy this benefit.

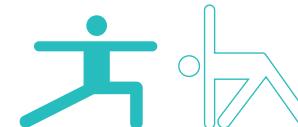
Wealth & Finances

Other Well-being Activities



We organise **well-being talks and seminars** for our staff on a wide range of topics, including on issues related to mental and psychological well-being, and how to enhance their personal productivity, improve their fitness and achieve their goals.

In 2016, **12 activities, such as yoga, acupressure workshops and nutrition consultations** have been organised.



These events enjoyed strong support, with a collective attendance rate of about **3,000** staff.



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Our Staff



Occupational Health and Safety •

Our efforts to uphold high standards of occupational health and safety (OH&S) in the workplace include engaging employees at all levels through committees, forums and working groups in the development of our OH&S policy and management framework.

In 2009, we became the first bank in the world to implement a certified BS OHSAS 18001:2007-compliant Occupational Health Safety Management System (OHSMS). Designed



to reduce the exposure of staff, contractors and customers to health and safety risks associated with our business activities, the OHSMS is overseen by a Safety Management Committee (SMC), comprised of senior management representatives, that has responsibility for monitoring and advising on OH&S programmes. The concerns and views of staff are represented by the Working Team of the SMC, which is a lower-tier committee of the SMC comprised of middle management representatives, who are supported by about 300 Job Hazards Analysis (JHA) Team members (see box: OH&S: Everyone's Business).

We provide a range of training courses to enhance the OH&S knowledge of our staff – from conventional classroom-based training to web-based e-Learning programmes. An OH&S training course has been included in our New Joiners Induction Programme.

We arrange for employees from different sites and business lines to acquire Qualified First Aider status so as to offer prompt assistance to colleagues and customers in the event of a medical emergency or accident. A number of our first aiders have been trained to operate the automated external defibrillators that are installed in various Bank premises.

We have a Contingency Plan for Communicable Diseases in place, which sets out the key issues to be addressed and the actions to be taken by various units in response to the occurrence of a serious communicable disease outbreak. Our intranet provides staff with information on the importance of personal hygiene and good health practices, and on the contingency measures that will be adopted to enable the Bank to continue to serve the community during emergency situations.

We provide Mother-care Rooms at Hang Seng Tower and Hang Seng 113 to meet the needs of our members of staff who are nursing mothers. The rooms are designed to provide a restful and private environment.



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Occupational Health and Safety • •

OH&S: Everyone's Business

Under our BS OHSAS 18001:2007 - OHSMS certification, we have established processes for addressing a broad range of OH&S issues at both Bank-wide and functional levels.

Issues discussed at a functional level

- Personal protective equipment
- Organisation and operation of the SMC
- Staff representative participation in health and safety inspections, safety audits and accident investigations
- OH&S training and education
- Complaints and reporting mechanisms
- Safe workplace rights

Issues discussed at a Bank-wide level

- Compliance with the International Labour Ordinance as required under the internationally recognised BS OHSAS 18001:2007 certification standards
- Arrangements and systems for resolving OH&S-related problems
- Commitments regarding target performance standards and levels of practice to apply

Occupational Health and Safety Statistics 2016

Lost-day rate[▲]



Occupational injury rate[#]



Absenteeism rate^{*}

1.93%

[▲] The lost-day rate is calculated based on the number of days lost per 200,000 hours worked (100 employees working 40 hours per week for 50 weeks).

[#] The injury rate is calculated based on the number of injuries per 200,000 hours worked.

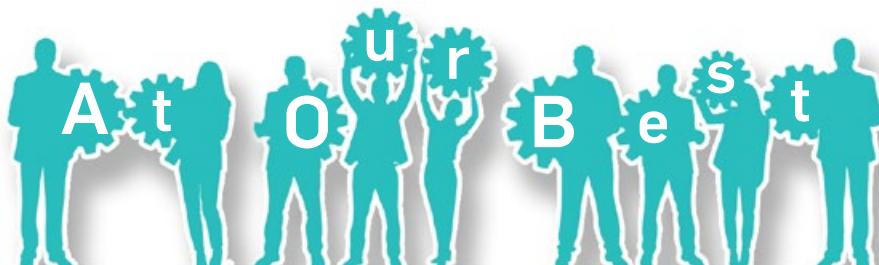
^{*} The absentee rate indicates the number of absentee days (as a result of occupational injuries and other illnesses) as a percentage of the total number of work days scheduled for the workforce.

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Business Principles and Values

Our business principles and corporate values are designed to guide staff in upholding the highest personal standards of integrity and complying with the spirit and letter of all laws and regulations when conducting business. We operate with courageous integrity, whereby every employee has the courage to do the right thing without compromising ethical standards or integrity, and behaves in a dependable, open and connected way. The 'At our Best Recognition' programme aims to promote the Bank's core values by recognising positive behaviours that are aligned with our principles.



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 accountability, be decisive, use good judgment and common sense
- Empower others

Open – to different ideas and cultures

- Communicate openly, honestly and transparently, value 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

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Our Staff

A Statistical Snapshot of Our People • • •

Headcount by Employment Type by Gender

	Hang Seng Bank & Others [#]		Hang Seng China		Total	
	Male	Female	Male	Female	Total	(%)
Full-time Permanent Staff	3,242	4,600	482	1,129	9,453	(97.7%)
Full-time Contract Staff	60	41	35	50	186	(1.9%)
Part-time Staff	4	25	-	-	29	(0.3%)
Temporary Staff	2	3	-	-	5	(0.1%)
Total	3,308	4,669	517	1,179	9,673	(100.0%)

Headcount by Employee Category by Gender

	Hang Seng Bank & Others [#]		Hang Seng China		Total	
	Male	Female	Male	Female	Total	(%)
Executive	847	907	144	277	2,175	(22.5%)
Officer	1,597	2,056	191	484	4,328	(44.7%)
Clerical / Non-clerical	864	1,706	182	418	3,170	(32.8%)
Total	3,308	4,669	517	1,179	9,673	(100.0%)

Note:

* All headcounts are in full-time employee equivalent (FTE)

"Others" includes Macau/overseas and other Mainland operations (around 1% of total headcount of Hang Seng Group)

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Our Staff

A Statistical Snapshot of Our People •••

Average Age

	Hang Seng Bank & Others [#]	Hang Seng China	Overall
Executive	41	38	40
Officer	36	33	36
Clerical / Non-clerical	37	29	36
Overall	38	33	37

Average Years of Service

	Hang Seng Bank & Others [#]	Hang Seng China	Overall
Executive	10	6	10
Officer	11	5	10
Clerical / Non-clerical	12	3	10
Overall	11	4	10

Note:

[#] "Others" includes Macau/overseas and other Mainland operations (around 1% of total headcount of Hang Seng Group)

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A Statistical Snapshot of Our People ● ● ●

New Hires by Age Group by Gender

	Hang Seng Bank & Others [#]		Hang Seng China		Total	
	Male	Female	Male	Female	Total	(%)
Below 30	406	428	75	151	1,060	(71.8%)
30 to 39	103	130	32	57	322	(21.8%)
40 to 49	23	26	1	2	52	(3.5%)
50 to 59	15	13	-	1	29	(1.9%)
60 or above	7	6	-	-	13	(0.9%)
Total	554	603	108	211	1,476	(100.0%)

Employee Voluntary Turnover by Age Group by Gender

	Hang Seng Bank & Others [#]				Hang Seng China				Total			
	Male		Female		Male		Female		Male		Female	
	Head count	Turnover rate [▲]	Head count	Turnover rate [▲]	Head count	Turnover rate [▲]	Head count	Turnover rate [▲]	Head count	Turnover rate [▲]	Head count	Turnover rate [▲]
Below 30	363	4.5%	357	4.5%	55	3.2%	131	7.5%	418	4.3%	488	5.1%
30 to 39	142	1.8%	155	1.9%	56	3.2%	108	6.2%	198	2.0%	263	2.7%
40 to 49	40	0.5%	83	1.1%	8	0.5%	9	0.5%	48	0.5%	92	1.0%
50 to 59	31	0.4%	38	0.5%	-	-	1	0.1%	31	0.3%	39	0.4%
60 or above	57	0.7%	34	0.4%	2	0.1%	-	0.0%	59	0.6%	34	0.4%
Total	633	7.9%	667	8.5%	121	7.0%	249	14.3%	754	7.7%	916	9.5%
Grand Total	1,300 (16.4%)				370 (21.3%)				1,670 (17.3%)			

Note:

* All headcounts are in full-time employee equivalent (FTE)

"Others" includes Macau/overseas and other Mainland operations (around 1% of total headcount of Hang Seng Group)

[▲] The turnover rate is calculated based on the actual number of employees

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Our Environment

The health of our planet and its natural resources has a fundamental impact on all of us and is a collective responsibility that cannot be ignored. We are committed to improving our own performance, raising environmental awareness among our stakeholders, and playing a role in addressing large-scale environmental issues that require a global response.

We take steps to cut our consumption of energy and natural resources, reduce waste and utilise environmentally friendly products and certified materials whenever possible. We encourage our customers and suppliers to take similar steps through our services, policies and community engagement initiatives.

We empower our staff to act as ambassadors for the environment by raising their awareness of green issues through various channels, including training and volunteer activities.

We consider the environmental impact of our business travel policies and are working to reduce non-essential travel through increased use of alternatives such as teleconferencing.

We have adopted the HSBC Group's approach to tackling the global challenge of climate change. This policy is detailed in the HSBC Group's Statement on Climate Change.



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Greening Our Operations • ○ ○ ○

Beginning with our headquarters building in 2005, we have led the way in gaining the internationally recognised ISO 14001 environmental accreditation among local banks. In 2011, we became the first local bank to achieve this certification for all Hong Kong offices and branches.

Established under the Environmental Policy we implemented in 2003, our Environmental Management Committee, which is chaired by an Executive Committee member, closely monitors our environmental management system (EMS) to ensure it continues to meet ISO 14001 standards. The Committee is also responsible for ensuring that our EMS and business strategies complement each other in support of the objective of continual improvement of our environment performance.

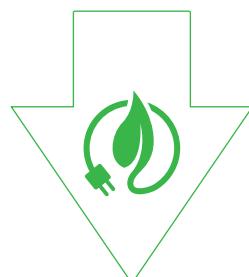
A number of our staff are trained as Green Ambassadors to support the implementation of our EMS. They also play a crucial role in raising internal awareness of environmental issues by providing regular updates on relevant policies and measures.

We have set annual environmental targets that aim to minimise the negative impacts of our business and we engage in activities that have a positive impact on the environment.

At our newly renovated Hang Seng 113 office building, we have installed chilled ceiling and fresh air systems that use about 25% less energy per year compared to conventional air-conditioning systems. The building also uses low-energy LED office lighting and the lighting power density of which is only about 55% of the maximum allowable density in the latest energy



code requirements prescribed under government regulations. In mid-2016, our Hang Seng Tower office building attained the US Green Building Council's Leadership in Energy and Environmental Design (LEED) Gold Certification for its fitting-out works.



At our newly renovated Hang Seng 113 office building, we have installed chilled ceiling and fresh air systems that use about **25% less** energy per year compared to conventional air-conditioning systems.

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Our Environment

Greening Our Operations • • • •

We received the Joint Energy-saving Award and the Gold Award in the Retail & Service – Chain Store category at the 2016 CLP GREEN PLUS Recognition Awards.

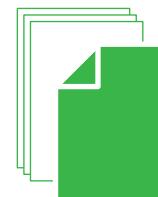
Our e-Statement and e-Advice services offer e-Banking customers the option to receive account statements and other notices in electronic rather than paper format. Nearly 23 million e-Statements and e-Advice notices were generated in 2016, which collectively saved 53 million sheets of paper. Additionally, over 80% of our shareholders are adopting our e-communication services which eliminated another 12.5 million sheets of paper. By the end of 2016, 37% of our credit card customers were receiving electronic card statements rather than physical copies, and e-channels accounted for 44% and 91% of applications for credit cards and personal loans respectively.

Designed specifically for full-time tertiary students at local universities and tertiary institutions, our Green Banking Integrated Account encourages greener banking practices by offering a range of environmentally friendly financial services.

The vital need to protect fragile ecosystems and support the conservation of biodiversity is reflected in our financing policies and within our own operations. We stopped serving shark's fin at Bank functions in 2003 and have removed endangered reef fish from our menus. Since 2011, we have provided a sustainable seafood menu endorsed by WWF (Hong Kong) at our banquet hall.

Through training programmes and our internal practices, we empower our staff to act as Green Ambassadors among their associates, families and friends by raising their awareness of environmental issues.

We closely monitor our greenhouse gas emissions (see table: Environmental Performance) and take steps to stay informed of environment-related regulatory developments that could directly or indirectly impact our business. 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.



Nearly 23 million e-Statements and e-Advice notices were generated in 2016, which collectively saved 53 million sheets of paper.



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Our Environment

Greening Our Operations

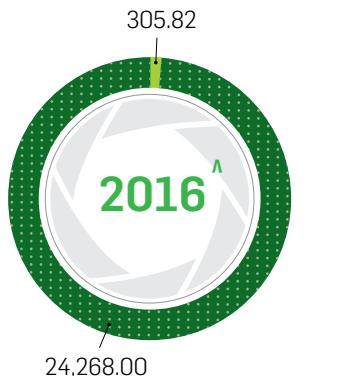
Environmental Performance



Carbon Dioxide Emissions

Total CO₂ emissions (tonnes)

- Energy *
- Business travel



Total **24,573.83**
tonnes



Total **26,180.33**
tonnes



Resources Consumption

Total energy consumption (Gj)

- Electricity
- Other fuel sources (gas and diesel)



Total **132,981.67**
Gj



Total **132,507.56**
Gj

	Unit	2016 [^]	2015 [#]
Total CO₂ emissions per FTE	tonnes/FTE	3.08	3.20
- CO ₂ emissions per FTE from energy	tonnes/FTE	3.04	3.17
- CO ₂ emissions per FTE from business travel	tonnes/FTE	0.04	0.03
CO₂ emissions per sq ft	tonnes/sq ft	0.0148	0.02

	Unit	2016 [^]	2015 [#]
Energy consumption per FTE	Gj/FTE	17.08	16.20
Energy consumption per sq ft	Gj/sq ft	0.09	0.09

Data is round up to 2 decimal places.

Key: CO₂: Carbon dioxide Gj: Gigajoules sq ft: Square foot
FTE: Full-time equivalent employee (7,786 and 8,182 as of 30 Sep 2016 and 30 Sep 2015 respectively).

[^] From 1 Oct 2015 – 30 Sep 2016

[#] From 1 Oct 2014 – 30 Sep 2015

* The CO₂ emissions generated from energy use was calculated based on the electricity and fuels consumed as well as their relevant gas emission conversion factors as provided by the electricity companies.

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Our Environment

Greening Our Operations

Environmental Performance



Water Consumption

Total water consumption (000m³)

2016^A Total **69.80** 000m³

2015[#] Total **66.91** 000m³

	Unit	2016 ^A	2015 [#]
Water consumption per FTE	m ³ / FTE	8.96	8.18



Paper Consumption

Total paper consumption⁺ (tonnes)

- Compliant
- Compliant due to exemption
- Non-compliant



Total **1,998.96**
tonnes

Total **1,525.72**
tonnes

Data is round up to 2 decimal places.

Key: m³: Cubic metres

FTE: Full-time equivalent employee (7,786 and 8,182 as of 30 Sep 2016 and 30 Sep 2015 respectively).

^A From 1 Oct 2015 – 30 Sep 2016

[#] From 1 Oct 2014 – 30 Sep 2015

+ Paper

- Compliant Paper: Paper certified by an HSBC-approved certification scheme. Currently includes FSC, Canadian Standards Association, etc.

- Compliant due to Exemption: Paper which received a dispensation authorised by the Chief Procurement Officer and was entered in the HSBC Group Manuals System prior to the purchase.

- Non-compliant Paper: Source country of the virgin portion is unknown or on the high-risk country list, and is not certified by any HSBC-approved scheme.

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Our Environment

Greening Our Operations

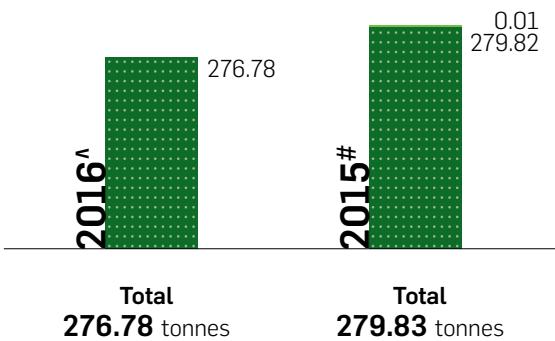
Environmental Performance



Waste Disposed to Landfill

Total waste disposed to landfill (tonnes)

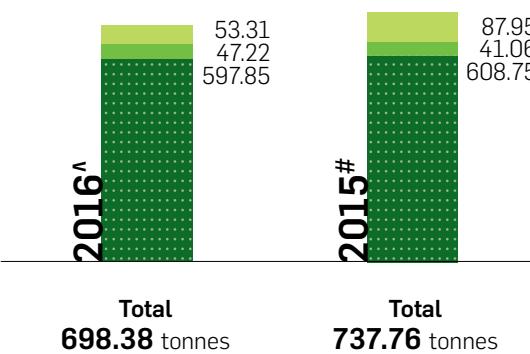
- General office waste
- IT and electrical



Waste Collected for Recycling

Total waste collected for recycling (tonnes)

- General office waste
- IT and electrical
- Other waste



	Unit	2016^	2015#
Waste disposed per FTE	tonnes/ FTE	0.04	0.03

Data is round up to 2 decimal places.

FTE: Full-time equivalent employee (7,786 and 8,182 as of 30 Sep 2016 and 30 Sep 2015 respectively).

[^] From 1 Oct 2015 – 30 Sep 2016

From 1 Oct 2014 – 30 Sep 2015

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Our Environment

An Environmental Advocate

As one of Hong Kong's largest listed companies, we are well positioned to champion the cause of improved environmental stewardship. We strive to set a good example by continually improving the environmental performance of our operations. In addition, our investment and financing policies and support for external initiatives are designed to encourage our staff, customers and the wider community to take a broad, more engaged perspective on the importance of safeguarding natural resources and enhancing the environmental health of our planet.

For almost a decade, we have partnered with The Conservancy Association to promote the benefits of renewable energy and provide biogas facilities to rural communities in Yunnan province on the Mainland. Since 2007, the Hang Seng Yunnan Biogas Project has constructed 4,600 biogas facilities that collectively provide clean and free energy to nearly 18,000 people. To mark the 10th anniversary of this project in 2017, we are supporting the construction of a low-carbon village in the province.

We support local NGOs and green groups as a corporate member and through various campaigns and initiatives, such as the 'Power Smart' Energy Saving Contest organised by Friends of the Earth (HK), which enables schools to borrow monitoring equipment for use in energy-saving classroom projects, and the Earth Hour campaign organised by WWF (Hong Kong). Our employees also participate in environment-focused fundraising events such as the Green Power Hike and WWF (Hong Kong)'s Walk for Nature.

Since 1999, we have planted around 93,000 trees in Hong Kong and on the Mainland.

Through my volunteer trip to Yunnan, I realised the importance of the relationship between nature and human development. The Hang Seng Yunnan Biogas project provides clean and convenient energy to rural villagers in the area.

Elson Yam

Counter Service Officer, Hung Hom Branch



Watch the video about our Hang Seng Yunnan Biogas Project (Chinese only)



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Our Community



We recognise that our ability to inspire positive community action and help individuals from all walks of life to realise their potential is integral to our sustainable growth strategy and our position as the leading domestic bank in Hong Kong. With a particular focus on young people, our corporate sustainability programmes facilitate greater social mobility, encourage new ideas and provide opportunities for life-changing experiences.

Our Corporate Responsibility Committee is responsible for setting the Bank's corporate responsibility strategy and practices, overseeing community investment activities and assessing

community investment proposals. The Vice-Chairman and Chief Executive of the Bank serves as Committee Chairman. Senior executives from various functions and business units serve as Committee members. Community investment projects that are approved by the Committee are reported at Executive Committee meetings and Board meetings.

Two of our youth development programmes were recognised at the 12th China Golden Awards for Excellence in Public Relations, organised by the China International Public Relations Association in 2016. After being awarded top honours for the Hang Seng – HKFWS Youth Mediation Scheme

we now lead the way among Hong Kong corporations for the number of Gold Awards received at this biennial event. We also received a Silver Award for our Hang Seng Call for Young Talent in Theatre programme.

Over the past 10 years, we have invested HK\$268m in community development programmes in Hong Kong, including HK\$26m in 2016. We invest non-financial resources such as volunteer time, professional expertise and practical support to ensure these programmes foster lasting positive social and environmental change.

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Our Community

Empowering Young People • ○ ○ ○ ○

The principles and passions of today's younger generations will determine the future direction of our city's development. Working with trusted local partners, we aim to inform, empower and inspire young people to become agents of positive change – in their own lives, among their peers and as part of the Hong Kong community.

In 2016, our diverse range of youth development programmes provided over half a million young people with opportunities to explore their talents and interests, develop new skills and greater self-esteem, and participate in experiences that broaden horizons, drive ambition and change lives.

Organised in partnership with the Hong Kong Federation of Youth Groups and the Hong Kong Repertory Theatre, our award-winning Hang Seng Call for Young Talent in Theatre programme helps participants build self-confidence through artistic expression and working as part of a group. Following open auditions, over 40 primary and secondary school students were selected to take part in the programme, which culminated in four public performances of the original musical 'Our Time, Our Hong Kong' for a total of around 1,600 people.



In 2016, our diverse range of youth development programmes provided over half a million young people with opportunities to explore their talents and interests, develop new skills and greater self-esteem, and participate in experiences that broaden horizons, drive ambition and change lives.



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Our Community

Empowering Young People

Giving Young People a Chance to Shine

Participation in the arts has the power to transform young lives and local communities. Now in its second year, the Hang Seng Call for Young Talent in Theatre programme opens up new horizons for young people by encouraging creative expression and greater self-confidence. During two months of training to hone their dramatic skills, participating students learn the importance of stepping outside their comfort zone and putting characteristics such as collaboration, communication and commitment centre stage in working to achieve their dreams.



Name: Yama Ng

School: Yan Chai Hospital Wong Wha San Secondary School

Age: 12

Cast: Ah Zi



Yama Ng had a lead role in 'Our Time, Our Hong Kong', the musical production that was developed for the programme. A 12-year-old student at Yan Chai Hospital Wong Wha San Secondary School, Yama played Ah Zi, a country girl with low self-esteem who nevertheless strives to overcome life's challenges. Yama draws parallels between Ah Zi's struggles and her own in preparing for the role. "I felt I wasn't good enough in rehearsals. One time I even broke down in tears," she says. Like Ah Zi, however, she persevered. "I drove my friends crazy by practicing my lines in the classroom," she laughs. This dedication, along with the encouragement and support of the production team and the rest of the cast, enabled Yama to give a confident and moving performance when the show opened to the public.

Yama also took on another role under the programme – that of a server in the Pei Ho Counterparts restaurant owned by well-known local philanthropist Chan Cheuk-ming (aka Ming Gor) that provides free hot meals to those in need in Hong Kong. Yama says this community outreach activity helped give her more insight into the character of Ah Zi by exposing her to people who are determined not to let difficulties or challenges prevent them from moving forward in life.

The programme aims to use the arts to not only enable young people to express themselves and explore new ideas, but also to help build self-esteem and teach valuable lessons about focus and commitment. The community outreach programme helps participants broaden their horizons and experience the unfailing Hong Kong spirit of perseverance.

Sin Chun-tung

Director, 'Our Time, Our Hong Kong'

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Our Community

Empowering Young People ○○●○○

The Hang Seng – HKFWS Youth Mediation Scheme aims to build a more harmonious society by promoting peer mediation as an effective tool for conflict resolution. Organised in

partnership with the Hong Kong Family Welfare Society, the Scheme has trained close to 1,000 primary school peer mediators. Over 34,000 participants – including parents and teachers

– have been introduced to the principles and practice of peer mediation since the Scheme's launch in 2013.

Nurturing a More Harmonious Society

The award-winning Hang Seng – HKFWS Youth Mediation Scheme reflects our belief that good communication plays a crucial role in conflict resolution and successfully overcoming challenges. Primary schools across Hong Kong are invited to join the Scheme, which trains students to become Peer Mediators who use their skills to facilitate greater understanding and empathy in conflict situations. In addition to cultivating more young mediators, the Scheme trained 49 students from The Education University of Hong Kong and 24 Bank volunteers as Mediation Ambassadors in 2016/17 to provide support for primary school mediation programmes that run throughout the academic year.



Certain types of conflict are better resolved by peer mediators than by teaching staff. The Scheme is also effective in promoting messages and attitudes that cultivate a harmonious and caring culture in the school.

Poon Yan-chee

Principal, Alliance Primary School,
Tai Hang Tung

I find mediation a useful tool in all kinds of situations, whether they involve family members, friends or workplace colleagues. When conflict arises, I remain neutral and try to help all parties reach a mutually acceptable solution. In my day-to-day work, I sometimes hold different views from my customers. The mediation training has taught me the importance of understanding other people's opinions and priorities. This is helping me to better serve the needs of my customers.

Vincent Leung

Hang Seng Mediation Ambassador
(Senior Business Banking Centre Manager)

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Our Community

Empowering Young People

Name: **Yeung Pui-man**
School: **Shak Chung Shan Memorial Catholic Primary School**

Shak Chung Shan Memorial Catholic Primary School student **Yeung Pui-man** trained as a Peer Mediator in 2016. She says her patience and her analytical and listening skills have all improved as a result of the training.

"I used to be quick-tempered and impatient," Pui-man says. "The peer mediation training has taught me the value of listening to other people and taking time to understand their thoughts and feelings."

Her new skills are helping her deal with family conflicts. "In the past, I argued a lot with my younger brother over using the computer. He was just playing games but I had homework to do," she says. "But after taking time to listen to his point of view, I realised that he feels lonely and the computer is a substitute 'friend'. We agreed to take turns on the computer and I'm sharing my toys with him. We now argue much less than before."

A number of Youth Mediation Scheme participants have helped create a video that demonstrates how they are applying their skills in their daily lives.

 Watch the video about our HKFWS Youth Mediation Scheme (Chinese only)



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Our Community

Empowering Young People

The Hang Seng Youth Entrepreneurship Scheme, run in collaboration with The Society of Rehabilitation and Crime Prevention, Hong Kong, offers at-risk youths and young ex-offenders a platform for regaining confidence in their future through entrepreneurship. Participants can apply for subsidies to kick-start a small business and have access to entrepreneurial training and expert business advice. Bank executives volunteer their time as guest speakers to share their professional insights and experience and to help judge the participants' business proposals. More than 400 young people will have benefitted from the Scheme by mid-2017.



As part of our efforts to enhance social mobility, we have been working with the Hong Kong Federation of Youth Groups to pioneer the 'gap year' concept among secondary school students in Hong Kong through the Hang Seng GPS Youth Employment Programme. The Programme offers low academic achievers an opportunity to experience the world of work and explore potential future careers. Participants are assigned job placements that are matched to their interests and will receive a certificate and a further education or training subsidy upon successful completion. Members of the Bank's recruitment team provide practical support by conducting

mock job interviews with the participants. Over 60 students have taken part in the Programme since its launch in 2014.

In the Pearl River Delta region, we supported Junior Achievement China's 2016 – 2017 China Youth Financial Literacy Education Programme, which aims to help students enhance their financial management knowledge and planning skills through various courses and workshops.

Since 1995, we have allocated more than HK\$65m to various scholarship schemes in Hong Kong and mainland China, benefitting over 2,400 students.



Our Community

A Long-term Commitment to Sporting Success •◦

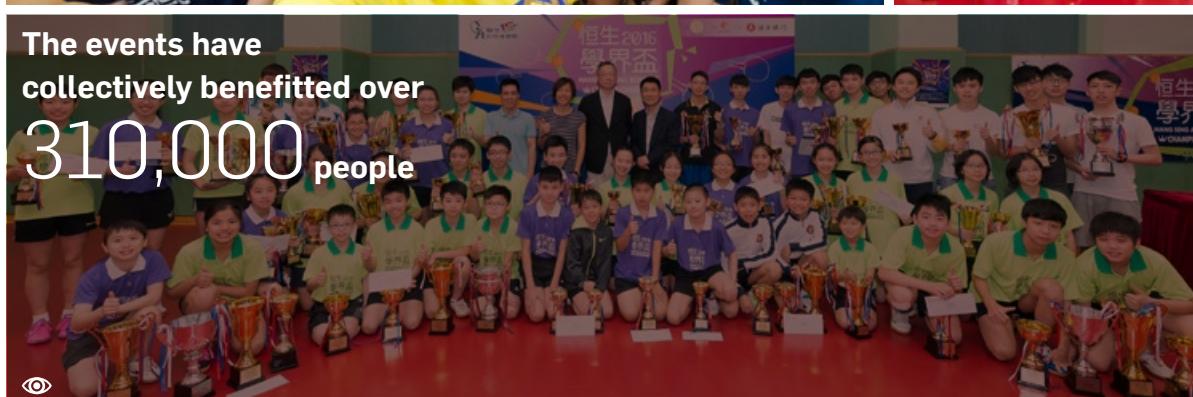
Since 1991, we have provided HK\$57m to support the development of table tennis, reflecting our commitment to promoting healthy lifestyles and our belief in the power of sport to bring people together in a shared sense of teamwork and community pride.

We marked two key milestones in 2016 – 25 years of partnership with the Hong Kong Table Tennis Association and the 15th anniversary of the Hang Seng Table Tennis Academy (HSTTA). As part of its community outreach work, the Academy has organised nearly 5,600 events that

have collectively benefitted over 310,000 people. We produced two table tennis videos – one to celebrate HSTTA's 15th anniversary and the other to recognise the efforts of the Hong Kong Table Tennis team at the Rio 2016 Olympic Games – which have collectively reached nearly 730,000 people across various social media platforms. The 15th anniversary video received an Honours Award at the internationally renowned Galaxy Awards.



The events have
collectively benefitted over
310,000 people



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Our Community

A Long-term Commitment to Sporting Success • •

Building a Healthy Community

For a quarter of a century, we have worked in close partnership with the Hong Kong Table Tennis Association to promote participation in sports as part of a healthy lifestyle and an effective way to encourage the development of a positive community spirit. The Hang Seng Table Tennis Academy we established in 2001 to raise the standard of table tennis in Hong Kong and nurture local sporting talent has produced a number of world-class athletes – including Wong Chun-ting, Doo Hoi-kem and Lee Ho-ching, who ranked 7th, 13th and 33rd in the world (ranking as of May 2017). At the Rio 2016 Olympic Games, the trio all finished in the top 16 in the individual event and the Hong Kong men's and women's teams both made the final eight in their respective

team events. These outstanding sporting stars serve as role models for young people, generate civic pride and demonstrate the rewards of hard work, dedication and setting ambitious goals. Following their performance at the Olympic Games, we created a video to applaud their achievements as Academy graduates – ‘Perseverance. Pride. – Hang Seng Table Tennis Academy’.



Watch the video 'Loving Support, Lasting Success' (Chinese only)



Name: Wong Chun-ting
Age: 25



To celebrate 15 years of the Academy in 2016, we produced ‘Loving Support, Lasting Success’, a video that features interviews with Academy students and graduates, who candidly share their memories and feelings about their sporting highs and lows.



Watch the video 'Perseverance. Pride – Hang Seng Table Tennis Academy' (Chinese only)



Name: Doo Hoi-kem
Age: 20



Our Community

A Creative Way to Build a Thriving Community

Realising a positive future for our community will require inquiring minds and creative thinking. Our support for initiatives such as the Ming Pao Student Reporter Programme, the UNICEF HK Make a Video Contest and the Hang Seng Bank – Help the Police Fight Youth Crime Competition reflects our belief in the importance of attributes such as good communication, analytical skills and an inclusive outlook in nurturing well-rounded citizens of tomorrow.

Exposure to the arts can fuel the imagination and spark positive discussion and debate. Under the Hang Seng Bank Student Matinee & Community Performance programme, organised in partnership with The Hong Kong Repertory Theatre, more than 900 secondary school students and members of the public attended two exclusive Bank-sponsored performances of 'Footprints in the Snow'. Post-performance talks gave attendees a chance to learn more about the production and get behind-the-scenes insights into what it takes to stage a play.

Over 3,000 students from 84 secondary schools took part in the Hang Seng – Jao Tsung-I Academy Historical and Cultural Programme, which uses a photo exhibition and a range of participatory historical and cultural activities to provide young people with a deeper understanding of the broader context of Hong Kong's development.

Through student ticket and subsidy schemes, we helped over 10,000 students and underprivileged children attend performances by the Hong Kong Philharmonic Society and the Hong Kong String Orchestra as well as a variety of Hong Kong Arts Festival events in 2016.



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Our Community

Extending a Culture of Service Excellence

We extend our culture of service excellence into the wider community through our volunteer and social development activities. We understand that healthy, inclusive and caring societies should assist their most vulnerable and

underprivileged members while also championing success.

Bank volunteers participated in a wide variety of community-focused and philanthropic activities

during 2016, including assisting St James' Settlement with its Meal Box Delivery Service, which packages and delivers hot meals to underprivileged elderly people and families in several low-income districts in Hong Kong.

Demonstrating the Spirit of Service

As part of our efforts to encourage Hang Seng staff to give back to the local community, our employees are able to take two days of volunteer leave per year to engage in charitable activities. Over the past five years, Bank volunteers and their family members have contributed over 100,000 hours in volunteer service, including through 110 Bank-organised activities in 2016. In recognition of the personal and team-building benefits that are gained through greater civic participation, various Bank departments

organised departmental team volunteer activities in 2016, ranging from day trips to outlying islands with children from low-income families to moon-cake making and distribution to elderly people, and golf days with young people from ethnic minority groups.



Our long-term support for the Hang Seng – Regeneration Society Top Ten Regeneration Warriors Competition helps promote the importance of adopting a positive outlook and affirming life values when facing significant challenges. The competition gives members of the public a chance to learn from the experiences

of 10 Regeneration Warriors who are successfully dealing with serious chronic illnesses by maintaining a positive approach and 'can-do' attitude in their everyday lives.

We have been a close partner of The Community Chest of Hong Kong since 1994, raising nearly



Encouraging my staff to volunteer together has helped them to build better team spirit and gain a deeper understanding of the views and priorities of different segments of the local community.

John Wong

Head of Global Liquidity and Cash Management

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Thank you for reading our Corporate Sustainability Report 2016. Your comments and suggestions play an important part in our efforts to continually improve our performance. We would greatly appreciate it if you could take a few minutes to complete our feedback form.

Feedback Form



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