

# Our Values



## Strategy

As Hong Kong's leading domestic bank, our strategy for sustainable business growth is built on service excellence. We seek to meet the needs of our customers, add value for shareholders, provide fulfilling careers for our staff, and contribute to a vibrant local economy and civic pride. Our stakeholder engagement initiatives ensure that we consider a diverse range of perspectives.

Over the years, we have achieved sustainable business growth by leveraging competitive advantages. These include our trusted brand, large customer base and extensive distribution network. While these have been essential for our growth, we also continue to establish new strengths and sharpen our ability to meet the increasingly sophisticated needs of our customers in an ever-changing market.

To support long-term business growth, we have launched a number of initiatives to improve service convenience, access and choice. We have allocated more resources to technology to enhance the customer experience and drive innovation in our industry. This includes contributing to the development of an industry-wide trade finance blockchain platform that can enhance service efficiency, reduce risk and improve financing accessibility. We are also actively involved in other fintech initiatives, including Faster Payment System and Open Application Programming Interface (API), to encourage greater creativity and collaboration in the development of innovative, convenient banking services.

Our well-integrated cross-border infrastructure will facilitate initiatives to grow our core banking business on the Mainland and capitalise on new opportunities arising from major developments, such as the Guangdong-Hong Kong-Macao Greater Bay Area and 'One Belt, One Road'.

We continue to strengthen staff engagement, and we remain committed to providing fulfilling careers for our employees by promoting a working culture and conditions that support personal well-being and practices that encourage innovation, collaboration and creativity.

Under our progressive growth strategy, we will keep emphasising customer convenience and choice at the heart of the service experience. We will also continue to engage stakeholders actively, drive product and service innovation, and uphold high operational and compliance standards as we deliver excellence as an employer, a financial services provider and a responsible citizen.

### Hang Seng Corporate Sustainability Matrix



## Our Principles in Practice

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

We believe the best ways to accomplish our mission are to maintain a strong emphasis on responsible corporate practices throughout our operations, and to find new and more effective ways to engage our customers, colleagues and local communities. As we continue to refine our strategy for long-term growth, how we do business is just as important as what we do.

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





## Stakeholder Engagement

We recognise the benefits of openly and actively engaging those who are highly influential to our business, and those who our operations impact significantly. Through stakeholder analysis and mapping, we have identified customers, staff, shareholders, suppliers and business partners, regulators, and the wider community as our primary stakeholders (see table on the right).

Gaining a deeper understanding of stakeholders' opinions, priorities and values helps us 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 also 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, corporate social responsibility (CSR) programmes and community-based volunteer activities, we have identified the areas in which our efforts will have the greatest positive impact on sustainable development in Hong Kong.

This year, as part of our report preparation, we engaged approximately 280 internal and external stakeholders via an online survey and a focus group discussion. To gain insights into industry practices, we included peer companies in our engagement activities for the first time.

Our stakeholders' opinions helped us understand their expectations and concerns regarding our governance, management and sustainability disclosures. To ensure open dialogue and impartiality, the engagement exercise was facilitated by an independent third-party consultant and conducted with reference to the AA1000 Stakeholder Engagement Standard and the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness.

Stakeholders are engaged annually via the corresponding methods listed :

## Engagement Activities Held in 2018

Stakeholders	Primary Methods of Engagement and Frequency
<b>Customers</b>	<ul style="list-style-type: none"> <li>• daily operations/interactions</li> <li>• financial market information updates</li> <li>• relationship manager visits/meetings</li> <li>• seasonal seminars/conferences</li> <li>• customer loyalty events</li> <li>• customer satisfaction surveys</li> <li>• online community</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• corporate communications, including but not limited to letters/circulars to shareholders and notices of meetings</li> <li>• interim and annual reports</li> <li>• results announcements</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• employee surveys</li> <li>• focus groups</li> <li>• face-to-face interviews</li> <li>• trainings and workshops</li> <li>• performance and development discussions</li> <li>• staff intranet</li> <li>• business briefings</li> <li>• town hall meetings hosted by Chief Executive and Business/Function Heads to communicate specific topics, for example, Bank's strategies and business results</li> <li>• 'exchange meetings' hosted by Chief Executive and managers on a regular basis with employees to discuss and share on specific topics</li> <li>• 'speed networking' where segments of employees mingle and connect with a wider group of senior managers for informal networking in a fun, fast-paced structure</li> <li>• forums hosted by Businesses/Functions to profile their scope of work and help broaden staff understanding and perspectives of internal opportunities, enabling their navigation within the Bank for future development</li> <li>• employee representation on staff retirement committee</li> <li>• volunteer activities</li> <li>• CSR programmes/communications</li> <li>• staff engagement in CSR projects</li> </ul>

Stakeholders	Primary Methods of Engagement and Frequency
<b>Business analysts/ investors</b>	<ul style="list-style-type: none"> <li>• results announcements</li> <li>• post-results announcement business briefings</li> <li>• senior management meetings</li> <li>• investor relations meetings</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>• reports</li> <li>• meetings</li> <li>• visits</li> <li>• gatherings and seminars</li> <li>• relationship-building events</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• meetings</li> <li>• compliance reporting</li> <li>• on-site inspections</li> <li>• ad-hoc enquiries</li> <li>• circulars/guidelines</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• media briefings</li> <li>• press materials</li> <li>• senior management interviews</li> <li>• results announcements</li> <li>• social gatherings</li> </ul>
<b>Non-governmental organisations (NGOs)</b>	<ul style="list-style-type: none"> <li>• volunteer activities</li> <li>• community investments and donations</li> <li>• CSR programmes/communications</li> <li>• staff workshops</li> <li>• meetings</li> <li>• visits</li> </ul>
<b>Financial sector peers</b>	<ul style="list-style-type: none"> <li>• strategic collaborations</li> <li>• Group circulars</li> <li>• Group 'town hall' meetings</li> <li>• Hong Kong Association of Banks meetings and circulars</li> </ul>
<b>Professional bodies (including rating agencies)</b>	<ul style="list-style-type: none"> <li>• meetings</li> <li>• visits</li> <li>• memberships</li> <li>• committee/working groups</li> <li>• workshops</li> <li>• external audits</li> <li>• index assessments/questionnaires</li> <li>• joint financial education programmes</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• supplier risk management processes</li> <li>• supplier due diligence processes</li> <li>• annual supplier performance reviews</li> <li>• meetings</li> <li>• site visits</li> </ul>

## Actions to Address Key Stakeholder Concerns >>

Hang Seng's multi-faceted approach to engagement gives stakeholders ample opportunities to communicate their key areas of interest to the Bank. During the reporting period, internal and external groups provided us with a wide range of constructive feedback. We have addressed this as effectively as possible. A few examples of constructive feedback, and how we have addressed the questions raised, are detailed below.

### Protecting customer's privacy

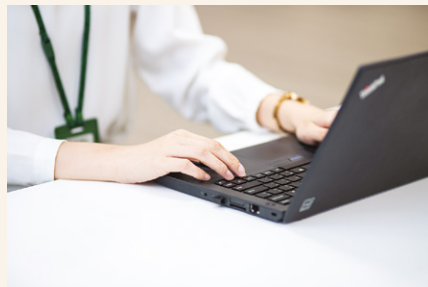
#### Customers, analysts, investors:

"Many data privacy incidents have happened recently. How does Hang Seng manage such incidents in case customer privacy is breached?"

#### Our actions:

Hang Seng complies with the Personal Data (Privacy) Ordinance. An independent assessment of personal internet banking with reference to the Risk Management of E-banking module (TM-E-1) of the Supervisory Policy Manual (SPM) issued by the Hong Kong Monetary Authority (HKMA) was performed in 2018 by an external assessor, KPMG. The assessment confirmed that the Bank met all data privacy requirements stipulated by the SPM.

We continually strengthen our data privacy policy and instruct staff how to report information on security incidents. This includes training on data privacy compliance in Hong Kong. We have implemented a clear desk policy to reduce the chance of unauthorised data access. We also have subject matter experts in cybersecurity to investigate breaches and, if necessary, escalate matters to the Major Incident Group.



### Going green

#### Employees, NGOs, analysts, investors:

"Hang Seng has implemented various initiatives to protect the environment. At an operational level, what has been done internally to ensure a green office?"

#### Our actions:

In 2018, the Bank continued to take a leading role in environmental stewardship and green operations, which are areas of interest both for our employees and the wider community. During the year under review, we developed an Activity-Based Workplace that helps us utilise our physical spaces more efficiently. E-copy creation and e-signatures have furthered our evolution into a paperless office. We are reducing waste with centralised bins, recycling bins, a bring-your-own-coffee-mug incentive scheme, and no-single-use-straw and no-plastic initiatives.

To reduce energy consumption, all unnecessary lighting is switched off after 7:30pm. In 2018, we reduced total greenhouse gas emissions (scopes 1, 2, 3) by 5.55% and total energy consumption by 5.83%.

In addition, during the year under review, we introduced the Hang Seng Green Financing Promotion Scheme. The scheme encourages corporate customers to purchase environmentally-friendly equipment that boosts resource efficiency, reduces pollution and helps companies achieve sustainable growth.



## Actions to Address Key Stakeholder Concerns >>

### Serving the community

#### Customers, regulators:

"Hang Seng has served more than 3 million customers in Hong Kong. What has the Bank done to cater to their different needs?"

#### Our actions:

Hang Seng is proud to count more than half of Hong Kong's adult residents as its customers. To ensure that their many different needs are met, the Bank constantly seeks ways to develop and implement industry-leading practices in financial inclusion. Such measures over the recent years included setting up Mobile Branch to serve populations without nearby bank branches and Social Caring Counters. Social Caring Counters provide priority service to the elderly, disabled people and other customers in need.

Technology also plays an important role in Hang Seng's financial inclusion. Our new HARO and DORI chatbots, for example, provide customers with a faster, simpler and more convenient service experience. With HARO, customers can perform general banking, account inquiry and basic transfer functions, while DORI helps them search credit card offers and even make restaurant reservations. The two virtual assistants use AI technologies, including machine learning and natural language processing to simulate human-like contextual conversations and interact with customers both in Chinese and English, and even in mixed languages. In 2018, Hang Seng also launched a new online payment platform that is integrated with the industry-wide Faster Payment System supporting 24-hour inter-bank transfers. HARO Pay was launched to provide users with the ability to perform small-value transfers more conveniently than ever. Using mobile devices' voice function, customers can make payment instruction via speech-to-text function in a seamless way.

In addition, Hang Seng aims to provide innovative banking experience to our SMEs and Commercial Banking customers through digitalisation of our Business Banking services. In May 2018, Hang Seng Commercial Banking launched BERI chatbot. With BERI, customers can enquire general Business Banking services and relevant information

We also introduced a Mobile Security Key for the Hang Seng Personal Banking mobile app, making online and mobile banking more convenient, and biometrics authentication, such as fingerprint authentication and facial recognition, to achieve a higher level of security authorisation for customers. In the future, Hang Seng is planning to enhance its financing services for start-ups and SMEs.

### Attracting and retaining top talent

#### Shareholders, employees, NGOs:

"With intense competition for talent in the market, what has Hang Seng done to retain its employees and attract top talent?"

#### Our actions:

Hang Seng's talented, dedicated people are who make the Bank a leader in Hong Kong's financial industry. Therefore, we invest substantial resources in staff compensation, benefits, engagement and well-being. In 2018, we reviewed our compensation packages to ensure their competitiveness in the market. We also increased annual leave to give employees more time to spend with loved ones. Staff now enjoy between 18 and 30 days of paid leave per year, in addition to birthdays, up to two volunteer work days, five days of official leave and four days of exam leave. We also announced an extension of maternity leave from 14 to 16 weeks, with effect from 2019.

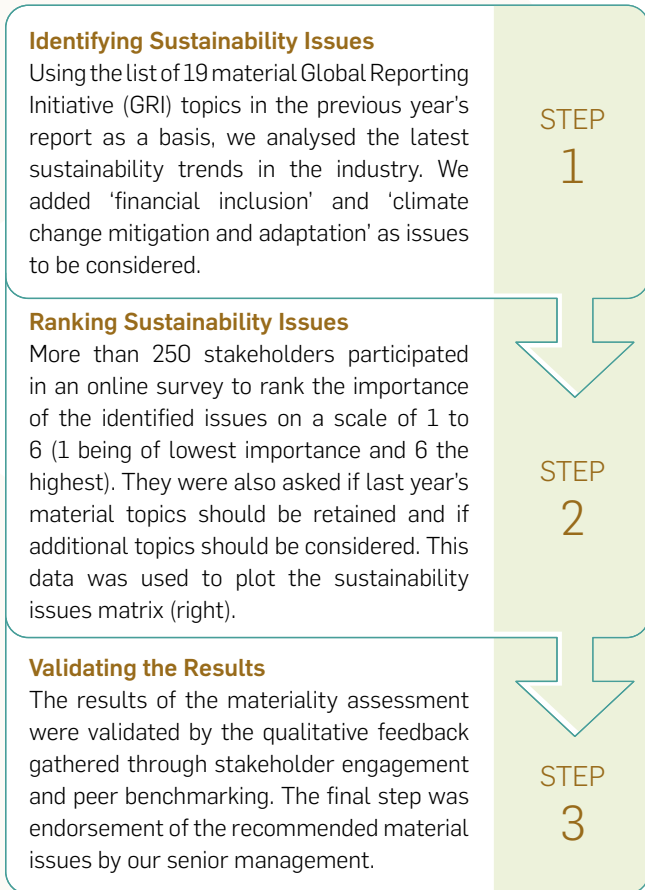
Hang Seng completed a review of its medical benefits in 2018. We granted an additional HK\$150,000 in hospital benefits to cover the cost of basic medical treatment, and increased total employee medical benefits by almost 60%. Staff can expect further enhancements to our offerings in 2019, including childbirth medical benefits.

Hang Seng believes it is vital for staff to feel valued and involved in the Bank's operations and decision-making processes. This past year, we held exchanges and town hall meetings, hosted by our Chief Executive and senior management, to gather suggestions from employees and implement them wherever possible. We also organised forums on the Bank's various operations to give employees a deeper understanding of functions and help them take advantage of career development opportunities.

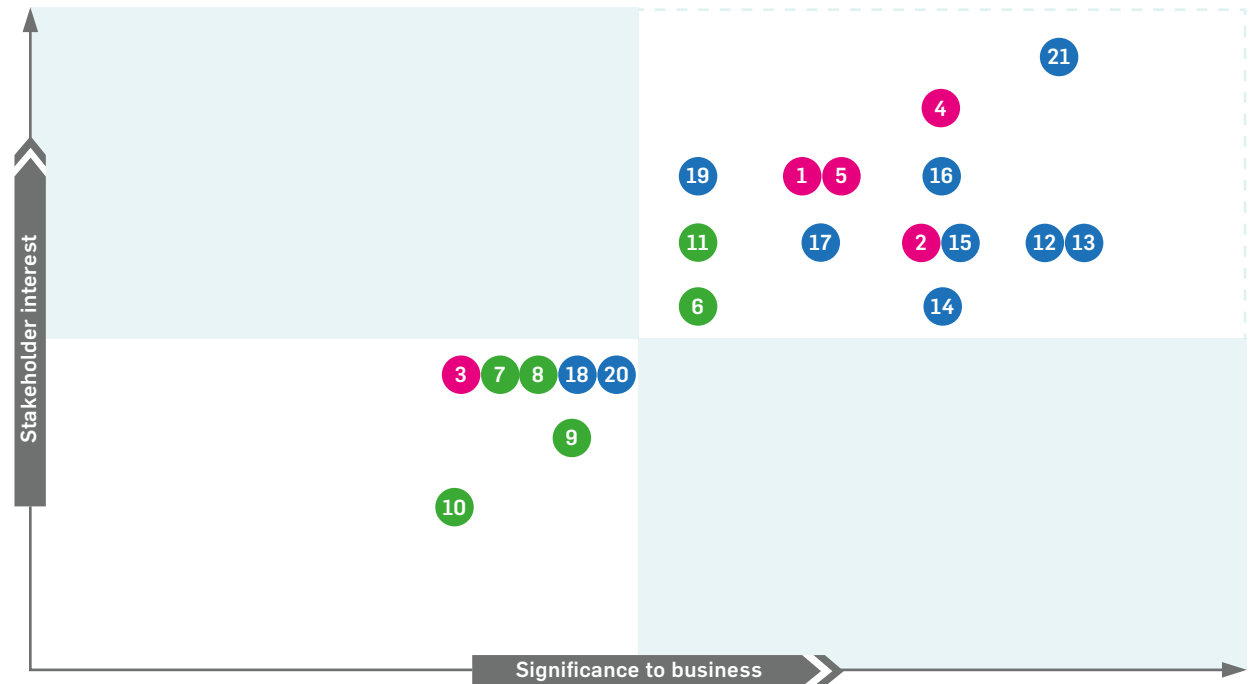
To ensure well-being and quality of life, Hang Seng continued to promote flexible work arrangements that provide staff with the freedom to work in the hours and locations that suit them best. The Bank also introduced casual dress codes, for added comfort in the office. Other popular initiatives included Bring Your Kids to Work day, a programme of activities to promote physical and mental health, and an increase in the number of holiday bungalows available for employee enjoyment.

## Materiality Assessment >>>

In sustainability terms, our standard for materiality is defined as an issue that could have a significant impact on the reputation or viability of our business, and/or an impact on a stakeholder's decision whether to do business with Hang Seng. In preparation of this year's Corporate Sustainability Report, the following steps were taken to determine relevant sustainability issues and their materiality:



Hang Seng's Sustainability Issues



- |   |  |   |
|---|--|---|
| <p>● <b>Economic</b></p> <ul style="list-style-type: none"> <li>1 Economic performance</li> <li>2 Market presence</li> <li>3 Procurement practices</li> <li>4 Anti-corruption</li> <li>5 Financial Inclusion</li> </ul> | <p>● <b>Environmental</b></p> <ul style="list-style-type: none"> <li>6 Energy and greenhouse gas emissions</li> <li>7 Effluents and waste</li> <li>8 Materials</li> <li>9 Water</li> <li>10 Biodiversity</li> <li>11 Climate change mitigation and adaptation</li> </ul> | <p>● <b>Social</b></p> <ul style="list-style-type: none"> <li>12 Employment</li> <li>13 Labour / management relations</li> <li>14 Occupational health and safety</li> <li>15 Training and education</li> <li>16 Diversity and equal opportunity</li> <li>17 Non-discrimination</li> <li>18 Child labour and forced or compulsory labour</li> <li>19 Local communities</li> <li>20 Public policy</li> <li>21 Customer privacy</li> </ul> |
|---|--|---|

## Materiality Assessment >>>

### Material Topic Boundaries

Of the 21 reportable material issues identified through our stakeholder engagement, 14 were mapped as the most material topics based on the extent to which they impact our business and operations, inside and outside the Bank. These 14 issues, their boundaries and the sections in which they appear in this report are indicated in the table below.







Hang Seng expects all of its partners – including business and investment strategy partners – and suppliers to share its vision and approach towards these topics. Compliance begins with the selection of our financial products, service partners and suppliers. We work only with reputable organisations that have demonstrable track records of upholding high corporate standards.

We carry out a series of due diligence procedures to ensure that partners and suppliers share Hang Seng's values in terms of business practices, regulatory compliance, ethical considerations, environmental protection and conservation, anti-bribery efforts, and health and safety procedures. Throughout the period of our cooperation, we also monitor and evaluate the performance of the working partner on an on-going basis.

Most material topics	Material boundaries where impacts occur						Reference
	Inside Hang Seng	Outside Hang Seng (major stakeholders)					
	Employees	Customers	Business partners	Regulators	Suppliers	Non-governmental organisations	
<b>Economic</b>							
1. Economic performance	✓	✓	✓	✓	✓	✓	<a href="#">Our Performance</a>
2. Market presence	✓	✓	✓	✓	✓		<a href="#">Our Business</a>
4. Anti-corruption	✓	✓	✓	✓	✓	✓	<a href="#">Our Corporate Governance; Our People; Our Suppliers</a>
5. Financial inclusion	✓	✓				✓	<a href="#">Our Customers; Our Community</a>
<b>Environmental</b>							
6. Energy and greenhouse gas emissions	✓	✓	✓	✓	✓	✓	<a href="#">Our Environment</a>
11. Climate change mitigation and adaption	✓	✓	✓	✓	✓	✓	<a href="#">Our Customers; Our Environment</a>
<b>Social</b>							
12. Employment	✓	✓	✓	✓	✓	✓	<a href="#">Our Suppliers; Our People; Our Community</a>
13. Labour / management relations	✓						<a href="#">Our People</a>
14. Occupational health and safety	✓	✓	✓	✓			<a href="#">Our People</a>
15. Training and education	✓						<a href="#">Our Corporate Governance; Our People</a>
16. Diversity and equal opportunity	✓	✓	✓	✓		✓	<a href="#">Our Corporate Governance; Our People</a>
17. Non-discrimination	✓	✓	✓	✓	✓	✓	<a href="#">Our Corporate Governance; Our People</a>
19. Local communities	✓	✓	✓	✓		✓	<a href="#">Our Community</a>
21. Customer privacy	✓	✓	✓	✓			<a href="#">Our Corporate Governance; Our Customers</a>

## Materiality Assessment >>>

Hang Seng also prioritises targets and actions by aligning with the United Nations' Sustainable Development Goals (UNSDGs). We contribute to this globally agreed framework for action to protect the planet, end poverty, and ensure peace and prosperity.

UNSDG	Hang Seng's Key Targets / Actions in Response to UNSDG	Reference
	<ul style="list-style-type: none"> <li>• Provision of training according to their role to enhance staff's technical knowledge and transferrable skills</li> <li>• Investment in the community to provide future skills learning opportunities for youth regardless of their social or economic status</li> </ul>	<a href="#">Our People &gt;&gt;</a> <a href="#">Our Community &gt;&gt;</a>
  	<ul style="list-style-type: none"> <li>• Commitment to responsible banking services</li> <li>• Promotion of green initiatives through the Bank's services and operations, as well as community investment programmes</li> <li>• Support for and participation in green loans projects</li> </ul>	<a href="#">Our Corporate Governance &gt;&gt;</a> <a href="#">Our Customers &gt;&gt;</a> <a href="#">Our Environment &gt;&gt;</a> <a href="#">Our Community &gt;&gt;</a>
	<ul style="list-style-type: none"> <li>• Upholding high standards of corporate governance</li> <li>• Adoption of the Board Diversity Policy in the spirit of transparency and governance</li> <li>• Regular review of policies, benchmarking of employee benefits against the market, and enhancement of workplaces to ensure they are fit for purpose and support employee well-being</li> </ul>	<a href="#">Our Corporate Governance &gt;&gt;</a> <a href="#">Our People &gt;&gt;</a>
	<ul style="list-style-type: none"> <li>• Commitment to responsible operations through Bank's policy and effective supply chain management</li> </ul>	<a href="#">Our Suppliers &gt;&gt;</a> <a href="#">Our Environment &gt;&gt;</a>

## Continual Improvement >>

Good corporate sustainability is not a static goal, but an on-going 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, the internationally recognised GRI Standards and the GRI G4 Financial Services Sector Disclosures. 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 2018 Report also reflects a number of other factors, including:

- Issues identified through the CSR Sustainers workshop (see below)
- Issues arising from stakeholder engagement initiatives, including surveys and focus group interviews
- 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 standards
- Reference to BS OHSAS 18001:2007 occupational health and safety standards

Our efforts in publicly disclosing our ESG performance has gained external recognition through these years. Our Corporate Sustainability Report 2017 received a Bronze Award in the 2018 International ARC Awards.

We continue to promote a business culture that encourages our employees to keep corporate sustainability at the heart of our operations. Our CSR Sustainers play a crucial role in motivating and mentoring their colleagues, and in ensuring that we uphold our principles and enhance our sustainability performance (see below box: Best Practice: Building Better Corporate Sustainability from Within).

### Best Practice: Building Better Corporate Sustainability from Within

Our CSR Sustainers, appointed by their respective department heads, play significant roles in ensuring the transparency of our reporting and analysing the latest sustainability trends in their areas of expertise, which cover various material topics. Their appointments are reviewed every year in order to manage our business development.

The first inter-departmental CSR Sustainers workshop was held in 2011. These workshops, which have since become an annual event, help us identify our material corporate sustainability issues and ways we can 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 Hang Seng staff members. We also encourage employees to read our Corporate Sustainability Report and provide their feedback on its content.



Our Corporate Sustainability Report 2017 received a **Bronze Award** in the 2018 International ARC Awards.



## Continual Improvement >>

### 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.

Being a principal member of the HSBC Group, Hang Seng operates under a number of international commitments to which the HSBC Group is a signatory or for which the group has expressed public support. These include:

- The Equator Principles
- The Global Sullivan Principles
- The International Bill of Human Rights
- International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The OECD Guidelines for Multinational Enterprises
- The UN Global Compact
- The UN Guiding Principles' Protect, Respect and Remedy Framework
- The UN Principles for Responsible Investment
- The UN Principles for Sustainable Insurance
- The UN Sustainable Development Goals

#### 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 customer base. We work hard to maintain our reputation as a local pioneer of best business practices and as an innovator in product and service development. We lead by example in considering sustainability and corporate responsibility issues.

##### Financial Strength:



We maintain strong financial fundamentals. This 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.

##### Transparency and Clear Communication:



Our credibility is closely tied to the quality of the information we provide to stakeholders. We continue to develop new and effective ways of engaging with stakeholders, to better understand their priorities and concerns, and to communicate all aspects of our business clearly. We establish long-term partnerships with customers, business associates and community groups based on the loyalty and trust we build through championing open dialogue.