

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Principles and Practices

Hang Seng Bank Limited (the "Bank") 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 has followed the module on "Corporate Governance of Locally Incorporated Authorised Institutions" ("CG-1") under the Supervisory Policy Manual ("SPM") issued by the Hong Kong Monetary Authority ("HKMA"). The Bank has also fully complied with all the principles of good corporate governance, 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 ("HKEx") (the "Listing Rules") throughout the year of 2022.

Further, to ensure that it is in line with international and local corporate governance best practices, the Bank constantly reviews and enhances its corporate governance framework by making reference to market trend as well as guidelines and requirements issued by regulatory authorities. Throughout 2022, the Bank has also implemented various Group governance initiatives to streamline parent/subsidiary oversight framework, and enhance meeting efficiency and reporting quality.

## Board of Directors

The Board has collective responsibilities for promoting the long-term sustainability and success of the Bank by providing entrepreneurial leadership within a framework of prudent and effective controls. In doing so, the Board commits to high standards of integrity and ethics.

According to the Board's terms of reference, specific matters reserved for the Board's consideration and decision include:

- strategic plan and objectives
- financial resource planning (formerly known as annual operating plan) and performance targets
- annual and interim financial reporting
- capital plans and management
- risk appetite statement and profile update
- appointment and oversight of senior management, and succession plans for the Board and senior management
- internal control and risk management governance structure

- corporate culture, values and standards
- environmental, social and governance ("ESG") strategy and governance framework
- effective audit functions
- policies, practices and disclosure on corporate governance and remuneration
- significant policies and plans and subsequent changes
- acquisitions, disposals and purchases above predetermined thresholds
- whistleblowing policy and mechanism

## Chairman and Chief Executive

The roles of the Chairman and Chief Executive of the Bank are complementary, but importantly, they are distinct and separate with a clear and well-established division of responsibilities. Details of their respective roles are set out in the Board's terms of reference.

The Chairman of the Board, who is an Independent Non-executive Director ("INED"), is responsible for the leadership and effective running of the Board and for ensuring that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Bank. In addition, as the Chairman of the Board, she is also responsible for ensuring that all Directors are properly briefed on all issues currently on hand and receive adequate, accurate and reliable information in a timely manner. The Chairman possesses the requisite experience, competencies and personal qualities to fulfill these responsibilities.

The Chief Executive, who is an Executive Director ("ED"), is accountable to the Board for her performance and is responsible for implementing the strategy and policy as established by the Board. The Chief Executive is also responsible for the management and day-to-day running of the Bank's business and operations, as well as leading and chairing the Executive Committee.

## Board Composition

As at the date of this Annual Report, the Board comprises 12 Directors, of whom two are EDs and ten are Non-executive Directors ("NEDs"). Among the ten NEDs, eight are INEDs. There is a strong independent element on the Board, to ensure the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of the Management. Further, out of the 12 Directors, eight are female Directors, indicating a strong gender diversity on the Board.



The Board possesses, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Bank pursues and the associated risks in order to ensure effective governance and oversight.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, banking and professional expertise. Biographical details of the Directors, together with information relating to the relationship among them, are set out in the section "Biographical Details of Directors and Senior Management" in this Annual Report.

The Bank remains committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

The Board has adopted a Board Diversity Policy, which is subject to annual review to ensure that diversity and inclusion are given serious consideration in the succession planning, selection, nomination, operation and evaluation of

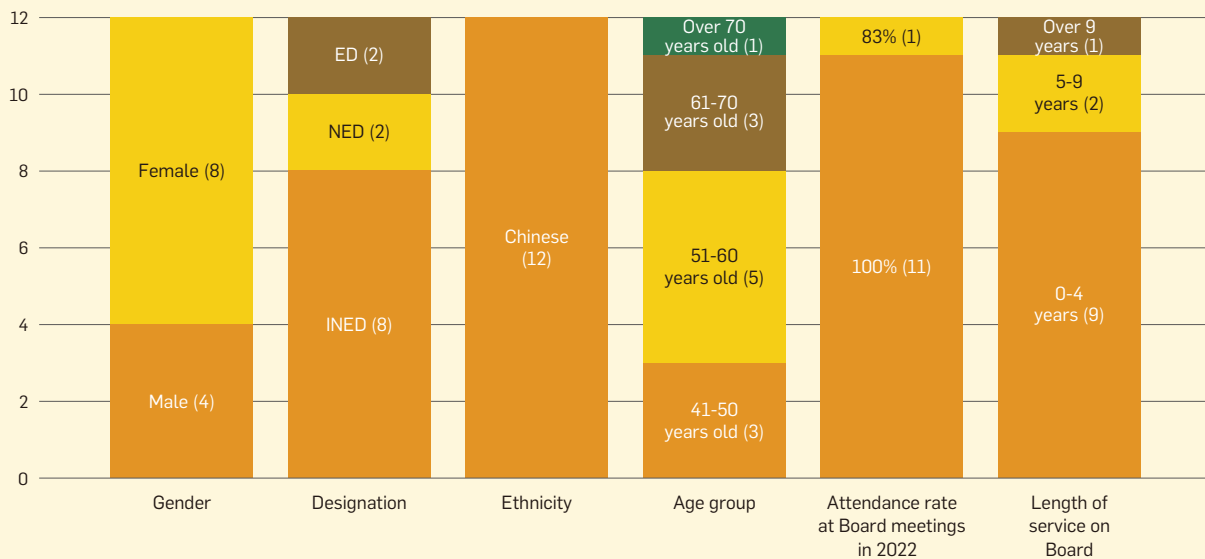
the Board. The last review was conducted in November 2022, and the latest version of the Policy as approved by the Board in November 2022 has been made available on the Bank's website ([www.hangseng.com](http://www.hangseng.com)) for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, characteristics, such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service, and any other factors that the Board may consider relevant and applicable from time to time.

The Board considers that its diversity, including gender diversity, is a vital asset to the business. Selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary skills, knowledge and experience. Where necessary, the Board will work with external agency to identify and approach suitable candidates that would enhance its composition and diversity, with a view to expanding the competencies, experience and perspectives of the Board as a whole.

As of the date of this Annual Report, the female representation of the Board was 67%, which is above the Board's aspirational target of a minimum of 40% female representation on the Board according to the Board Diversity Policy of the Bank.

An analysis of the Board's current composition as at the date of this Report is set out in the following chart:

No. of Directors



The Bank has maintained on its website ([www.hangseng.com](http://www.hangseng.com)) and on the website of HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)) an updated list of its Directors identifying their roles and functions and whether they are INEDs. INEDs are also identified as such in all corporate communications that disclose the names of the Bank's Directors.

Further, the Bank has received from each of the INEDs an annual confirmation of his/her independence. The independence of the INEDs has been assessed in accordance with the guidelines set out in Rule 3.13 of the Listing Rules, and guidelines issued by HKMA. Following such assessment, the Board has affirmed that all the INEDs continue to be independent, including those whose terms of appointment are about or over nine years.

### Board Process

Board meetings are held about six times a year and no less than once every quarter. Additional Board meetings, or meetings of a Board committee established by the Board to consider specific matters, can be convened, when necessary.

Schedule for the regular Board meetings in each year, together with the standing agenda for such meetings, are made available to all Directors before the end of the preceding year. In addition, notice of meetings will be given to all Directors at least 14 days before each regular meeting.

Other than regular agenda items, the Chairman also meets with NEDs without the presence of EDs at the end of each regular Board meeting, to facilitate an open and frank discussion among the NEDs on issues relating to the Bank. The Board, together with the Bank's Senior Management, also held an annual sharing session, which formed part of the key development initiatives of the Bank to meet the Bank's succession needs, with nominated talents from businesses and functions of the Bank and direct reports of the Bank's Senior Management, to help the Bank develop its staff as well as sharing views on business continuity and opportunities. Head of Human Resources also assisted the Board in reviewing the performance of the Bank's broader top team including, but not limited to, succession of senior roles and the Bank's succession pipeline.

The Board maintains regular communications with HKMA through various means to exchange views and update itself about HKMA's supervisory assessment of the Bank and supervisory focuses on the banking industry in general.

Meeting agenda for regular meetings are set after consultation with the Chairman and the Chief Executive. All Directors are given an opportunity to include matters in the agenda.

Throughout 2022, the Bank has continued to embed HSBC Group's governance requirements, including those of its Subsidiary Accountability Framework (that aims to enhance the clarity and consistency of governance practices adopted across all entities within the HSBC Group), to enhance meeting efficiency and reporting quality. Those enhanced governance requirements have proved to achieve a step change in the quality and consistency of reporting. Better planning and inputs to meetings and pre-meetings with the chairpersons, lead to better discussions, and more agile and well-informed decision making, resulting in a more effective use of the Board and Management time and simplification of board and committee processes.

Directors make their best efforts to contribute to the formulation of strategy, policies and decision-making by attending the Board meetings in person or via telephone or video-conferencing facilities. During 2022 and for the sake of health and safety under the prevailing pandemic, the Board and Board Committees had mostly met in hybrid mode with Directors having the option to join either in person or by zoom, with the meeting papers uploaded onto an electronic board portal for easy access by Directors.

Minutes of Board meetings with details of the matters discussed by the Board and decisions made, including any concerns or views of the Directors, are kept by the Company Secretary and are open for inspection by Directors.

In addition to the regular financial and business performance reports submitted to the Board at its regular meetings, the Board also receives financial and business updates with information on the Bank's latest financial performance and material variance from the Bank's financial resource planning during those months where no Board meetings are held. Directors can therefore have a balanced and comprehensive assessment of the Bank's performance, business operations, financial position and prospects throughout the year.



The Board reviews and evaluates its work process and effectiveness annually, with a view to identifying areas for improvement and further enhancement, while promoting board effectiveness and accountability through best practices, standardised guidance, common tools and resources. In mid-2022, all Directors completed the questionnaire for annual evaluation of Board performance over a number of areas including the following :

- the role, composition and skills of the Board;
- effectiveness of Board Committees and their co-ordination;
- procedures and process of Board and Board Committees; and
- culture and boardroom behaviour.

Based on the outcome of the evaluation, the Board is considered as effective in the above aspects.

Directors also made suggestions on major areas covered the following:

- Board's involvement in strategy setting and oversight of strategy implementation
- Board's oversight and involvement in senior management succession planning
- Topics covered in Board agenda and duration/frequency of Board/Committee meetings
- Information flow to the Board/Committees
- Board's involvement in and oversight of the Bank's climate strategy
- Enhancement of virtual Board/Committee meetings

Follow up actions in addressing Directors' responses to the evaluation had been taken during the year with the coordination of relevant businesses and functions of the Bank.

In addition to the annual board evaluation, there is also a regular process for the Bank to evaluate the performance of its Directors, which involves the Board's regular reviews of the time commitment required from NEDs, independence of INEDs, structure, size and composition of the Board and the non-executive Board Committees, as well as trainings that Directors received during the year.

To allow HKMA to assess whether the Bank has a robust evaluation process, the Bank also submitted to HKMA in 2022 a list of outside mandates, including directorships and other commitments, held by each Director and the Chief Executive, together with an affirmation signed by the Board Chairman to confirm the annual performance evaluation of each director and the Chief Executive.

All Directors have access to the EDs and the senior management team as and when they consider necessary. They also have access to the Company Secretary who is responsible for ensuring that Board procedures, and related rules and regulations, are followed.

Under the Articles of Association of the Bank, a Director shall not vote or be counted in the quorum in respect of any contract, arrangement, transaction or other proposal in which he/she or his/her associate(s), is/are materially interested.

The Board has adopted a Policy on Conflicts of Interest. The Policy identifies the relationships, services, activities or transactions in respect of which conflicts of interest may arise and sets out measures for prevention or management of such conflicts. The Policy also contains an objective compliance process for implementing the Policy, which includes notification by a Director of conflicts or potential conflicts, and a review/approval process. In addition, the Policy also sets out provisions of the Board's approach to dealing with any non-compliance with the Policy. The Policy was last updated in 2023 in alignment with the updated corporate practice.

The Board has been applying technology designed specifically around the Board to help the Directors manage their time more efficiently, while staying connected to the Board and other Directors in order to discharge their responsibilities effectively and securely.

During 2022, the Board held six meetings and the important matters discussed at Board meetings included but not limited to:

#### **Strategic Planning**

- quarterly updates of the Strategic Plan of Hang Seng Bank Limited (2021 – 2024)
- Strategic Plan of Hang Seng Bank (China) Limited (“HACN”) (2022-2024) with progress updates
- progress updates of Hang Seng Indexes business
- 2021 Environmental, Social and Governance (“ESG”) Report and regular ESG progress updates for 2022
- outlook and priorities of Wealth and Personal Banking business
- wholesale business performance and outlook
- Engagement Model between Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited as parent and subsidiary

#### **Financial and Business Performance, and Capital Planning**

- financial statements for the year ended 31 December 2021
- interim financial statements for the six months ended 30 June 2022
- declaration of the fourth interim dividend for year 2021 and first three interim dividends for year 2022
- financial resource planning and capital plan for year 2022
- reports on financial and business performance
- internal capital adequacy assessment process
- internal liquidity adequacy assessment process
- review/update on financials policies, plans and frameworks
- enterprise-wide stress test result and scenario for internal stress testing
- review of stress testing approach and approval process

#### **Risk Management and Technology**

- 2022 review of risk appetite statement and framework, with quarterly risk appetite profile updates and 2022 mid-year review of the risk appetite statement
- risk management framework refresh and risk governance structure
- updates of limits of relevant risk appetite metrics
- update of internal control system assessment
- Basel Committee on Banking Supervision 239 (“BCBS 239”) compliance framework and semi-annually review of connected lendings, large credit exposures and risk concentrations
- progress of climate risk management
- reviews or updates of significant risk policies, plans and frameworks
- updates of current and emerging risk issues including, commercial real estate exposures and related provisioning
- annual review of credit approval authority limits of the Senior Management Team
- update on coronavirus pandemic and business continuity plans of the Bank and HACN
- operational resilience and third party risk and outsourcing status update
- technology and cyber security risk and cloud update
- technology and data roadmap with 2022 delivery and regular technology updates
- review of IT services quality and reliability



### Governance and Culture

- Board succession planning
- review of 2022 Subsidiary Accountability Framework
- review of the effectiveness of the Board and Board Committees, including the revised terms of references
- review of the structure, size and composition of the Board and the Non-executive Board Committees
- new and revised Supervisory Policy Manuals or Guidelines issued by HKMA from time to time
- entry into a connected transaction between Hang Seng Insurance Company Limited ("HSIC") and entities of the HSBC Group
- renewal of certain continuing connected transactions between HSIC and entities of the HSBC Group
- update on culture review of the Bank and annual review of the Bank's Culture Statement
- review or updates of significant corporate governance policies/framework including, but not limited to, Board Diversity Policy, Shareholders Communication Policy and the Framework for disclosure of inside information
- establishment of a management committee for disclosure and controls

### Human Resources and Remuneration

- annual review of the remuneration policy and remuneration system
- annual review of alignment of risk and remuneration
- pay review for 2022 and variable pay for 2021
- review of fees payable to NEDs and the Committee Chairmen/members of the Bank and its subsidiaries
- annual review of the remuneration of EDs, Senior Management, Key Personnel and Heads of Control Functions
- appointment of ED, Board Committee Chairman and members
- appointment and remuneration packages of Senior Management
- succession planning for the Board and Senior Management
- performance management relating to Senior Management
- re-designation of a director and stepping down of directors
- re-election/election of Directors
- terms of appointment of NEDs
- review of independence of INEDs
- Human Resources related updates, including market competitiveness, hiring and staff retention issues, staff upskill initiatives and succession planning
- update on Employee Snapshot Survey 2022

### Appointment and Re-election of Directors

The Board has adopted a Nomination Policy which has been made available on the Bank's website ([www.hangseng.com](http://www.hangseng.com)) to emphasise the Bank's commitment on transparent nomination process in the selection of candidates for Board appointment.

Pursuant to the Bank's Nomination Policy, the Bank uses a formal, considered and transparent procedure for the appointment of new Directors. With the adoption of the Bank's Nomination Policy, greater demand has been imposed on the Board and/or the Nomination Committee on the independence and board diversity, amongst other corporate governance issues for better board effectiveness and diversity.

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 then be reviewed and, if thought fit, approved by the Board after due deliberation. If necessary, the Bank may also engage external search firm to assist in the sourcing and identification of appropriate candidates for Board appointments.

The Bank will also consider the prospective Director's time commitment to the role being applied for and any potential conflicts of interest identified, if he/she has outside mandates.



Pursuant to Group policy, the Bank will conduct enhanced vetting for non-employee NEDs before his/her appointment and thereafter once every three years, as one of the measures to verify the continual fitness and propriety of the NEDs.

In accordance with the requirement under the Banking Ordinance, approval from HKMA will be obtained for appointment of new Directors.

The Bank issues appointment letters to each of the NEDs, setting out the terms and conditions of their appointment, including the time commitment requirement. Additional time commitment is necessary if the NEDs also serve on committee(s) of the Board.

All new Directors are subject to election by 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 AGMs of the Bank.

According to SAF requirement on the term of appointment of NEDs, term of appointment of each NED is three years and NEDs should serve no more than two three-year terms with any extension subject to rigorous governance process. In renewing the term of appointment of each NED, the Board reviews whether such NED remains qualified for his/her position.

### Responsibilities of Directors

Directors have full and timely access to all relevant information about the Bank so that they can discharge their duties and responsibilities as Directors effectively. In particular, through regular Board meetings and receipt of regular financial and business updates, all Directors are kept abreast of the conduct, business activities and development, as well as regulatory updates applicable to the Bank.

The Bank recognises that independence of the Board is a key element of good corporate governance. The Bank has established effective mechanisms, including, but not limited to, entitling the Directors and Committee members to seek independent professional advice on matters relating to the Bank where appropriate at the Bank's expense, to ensure independent views and input are available to the Board. These mechanisms in place are subject to annual review by the Board that underpins a strong independent Board.

The Bank has adopted a Code for Securities Transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (set out in Appendix 10 to the Listing Rules) with periodic review. Specific enquiries have been made with all Directors who have confirmed that they have complied with the Bank's Code for Securities Transactions by Directors throughout the year 2022.

Directors' interests in securities of the Bank and HSBC Group as at 31 December 2022 have been disclosed in the Report of the Directors set out in this Annual Report.

Appropriate Directors' liability insurance cover has also been arranged to indemnify the Directors against liabilities arising out of the discharge of their duties and responsibilities as the Bank's Directors. The coverage and the sum insured under the policy are reviewed annually. Further, the Bank's Articles of Association provide that Directors are entitled to be indemnified out of the Bank's assets against claims from third parties in respect of certain liabilities.

### Induction and Training for Directors

Induction programmes on the following key areas will be arranged for newly appointed Directors so that they can discharge their responsibilities to the Bank properly and effectively:

- directors' duties and responsibilities
- business operations and financial position
- risk management and internal control
- governance structure and practices
- control and support functions

Further, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. They are provided with briefings and trainings on an on-going basis at the Bank's expense as necessary to ensure that they have a proper understanding of the Bank's operations and business, and are fully aware of their responsibilities under the applicable laws, rules and regulations. The Bank maintains proper records of the briefings and trainings provided to and received by its Directors from time to time.

In addition, all Directors are provided with a "Memorandum of Directors", which sets out the scope and nature of Directors' duties and liabilities, particulars of Group policies and local regulatory and statutory requirements of which the Directors must be aware. Such memorandum is updated from time to time so as to reflect the latest internal policies/guidelines, regulatory/statutory requirements, and best practices.



During the year, Directors received briefings and trainings on the following topics:

- HKEx's Article on "Continuing Disclosure Obligations and Trading Halt"
- HSBC Group NED summit covering current macroeconomics and geopolitics; strategy with 2021 results, technology with focus on IT strategy; and climate and energy security with insights on ESG
- Innovation in Banking Services including digital capabilities development, virtual banks and e-currency
- PwC's 25<sup>th</sup> Annual Global CEO Survey China report on "Recharting the path to sustained outcomes" with major themes on (1) growth expectations in the "new normal"; (2) emerging threats and market focus; (3) commitment to the ESG agenda; and (4) diving sustainable outcomes
- PwC's Bitesize webinar series including (1) tax changes ahead; (2) China Mergers & Acquisitions 2021 review and 2022 outlook for the global banking industry; (3)

leveraging Hong Kong's existing strengths to chart a new path collectively: Interpretation of the Northern Metropolis Development Strategy; and (4) cyber threats: What to expect in 2022 and beyond

- Briefing on International Financial Reporting Standard ("IFRS") 17 on Insurance Contracts
- Compliance Training on "Regulatory Environment and Focus"
- Deep dive sessions of cyber security and fraud cases
- Climate risk management briefing
- Update on cyber security risk and cyber security drill exercise
- HSBC Global Mandatory Training for 2022: Health, Safety and Wellbeing, Risk Management, Cyber Security, Sustainability, Anti-bribery and Corruption, Anti-money Laundering, Terrorist Financing, Sanctions, Fraud and Tax Transparency, and "Living our Values" series including Data Literacy, Workplace Harassment and Data Privacy.

The following table shows a summary on key training areas received by the Directors during 2022:

Directors	Training Areas					
	Governance matters	Regulatory matters	Business/ Management	Risk and Control	Digital and Technology	ESG
<b>INEDs</b>						
Irene Y L Lee	✓	✓	✓	✓	✓	✓
Cordelia Chung <sup>Note 1</sup>	✓	✓	✓	✓	✓	✓
Clement K M Kwok	✓	✓	✓	✓	✓	✓
Patricia S W Lam <sup>Note 2</sup>	✓	✓	✓	✓	✓	✓
Huey Ru Lin <sup>Note 3</sup>	✓	✓	✓	✓	✓	✓
Kenneth S Y Ng <sup>Note 4</sup>	✓	✓	✓	✓	✓	✓
Xiao Bin Wang <sup>Note 5</sup>	✓	✓	✓	✓	✓	✓
Michael W K Wu	✓	✓	✓	✓	✓	✓
<b>NEDs</b>						
Kathleen C H Gan	✓	✓	✓	✓	✓	✓
David Y C Liao	✓	✓	✓	✓	✓	✓
<b>EDs</b>						
Diana Cesar	✓	✓	✓	✓	✓	✓
Say Pin Saw <sup>Note 6</sup>	✓	✓	✓	✓	✓	✓

Note 1 Cordelia Chung was appointed as INED with effect from 23 February 2022.

Note 2 Patricia S W Lam was appointed as INED with effect from 1 July 2022.

Note 3 Huey Ru Lin was appointed as INED with effect from 1 July 2022.

Note 4 Kenneth S Y Ng was re-designated as INED with effect from 1 April 2022.

Note 5 Xiao Bin Wang was appointed as INED with effect from 23 February 2022.

Note 6 Say Pin Saw was appointed as ED and Alternate Chief Executive both with effect from 7 November 2022.



## Delegation by the Board

### Board Committees

The Board has set up five Committees, namely, Executive Committee, Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee, to assist it in carrying out its responsibilities.

The current composition of the Board Committees as at the date of this Report is as follows:

Board				
Executive Committee	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Diana Cesar (Chairman)	Clement K M Kwok* (Chairman)	Kenneth S Y Ng* (Chairman)	Michael W K Wu* <sup>Note 16</sup> (Chairman)	Irene Y L Lee* (Chairman)
Jordan W C Cheung <sup>Note 7</sup>	Irene Y L Lee*	Irene Y L Lee*	Cordelia Chung* <sup>Note 17</sup>	Diana Cesar
Kathy K W Cheung <sup>Note 8</sup>	Xiao Bin Wang* <sup>Note 14</sup>	Huey Ru Lin* <sup>Note 15</sup>	Irene Y L Lee*	Patricia S W Lam* <sup>Note 18</sup>
Vivien W M Chiu <sup>Note 9</sup>		Michael W K Wu*		David Y C Liao#
Rose M Cho				Kenneth S Y Ng* <sup>Note 19</sup>
Liz T L Chow				Michael W K Wu*
Gloria L S Ho <sup>Note 10</sup>				
Donald Y S Lam				
Betty S M Law <sup>Note 11</sup>				
Gilbert M L Lee				
Rannie W L Lee <sup>Note 12</sup>				
Godwin C C Li				
Say Pin Saw <sup>Note 13</sup>				
Ryan Y S Song				
Christopher H K Tsang				

\* INEDs

# NEDs

<sup>Note 7</sup> Jordan W C Cheung was appointed as Executive Committee member with effect from 19 December 2022.

<sup>Note 8</sup> Kathy K W Cheung was appointed as Executive Committee member and Alternate Chief Executive with effect from 7 March 2022 and 9 June 2022 respectively.

<sup>Note 9</sup> Vivien W M Chiu was appointed as Executive Committee member and Alternate Chief Executive with effect from 1 January 2022 and 19 January 2022 respectively.

<sup>Note 10</sup> Gloria L S Ho was appointed as Executive Committee member with effect from 1 May 2022.

<sup>Note 11</sup> Betty S M Law was appointed as Executive Committee member with effect from 26 August 2022.

<sup>Note 12</sup> Rannie W L Lee was appointed as Executive Committee member and Alternate Chief Executive with effect from 1 January 2022 and 1 April 2022 respectively.

<sup>Note 13</sup> Say Pin Saw was appointed as Executive Committee member with effect from 11 September 2022.

<sup>Note 14</sup> Xiao Bin Wang was appointed as Audit Committee member with effect from 28 March 2022.

<sup>Note 15</sup> Huey Ru Lin was appointed as Risk Committee member with effect from 21 November 2022.

<sup>Note 16</sup> Michael W K Wu was appointed as Remuneration Committee member with effect from 28 March 2022, and was appointed subsequently as Remuneration Committee Chairman with effect from 6 May 2022.

<sup>Note 17</sup> Cordelia Chung was appointed as Remuneration Committee member with effect from 28 March 2022.

<sup>Note 18</sup> Patricia S W Lam was appointed as Nomination Committee member with effect from 1 July 2022.

<sup>Note 19</sup> Kenneth S Y Ng was appointed as Nomination Committee member with effect from 5 May 2022.



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 annually. The terms of reference of all the Non-executive Board Committees have been made available on the Bank's website ([www.hangseng.com](http://www.hangseng.com)).

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

### Executive Committee

The Executive Committee meets approximately ten times a year and operates as a general management committee under the direct authority of the Board. The Executive Committee exercises the powers, authorities and discretions as delegated by the Board in so far as they concern the management and day-to-day running of the Bank in accordance with its terms of reference and such other policies and directives as the Board may determine from time to time. The Executive Committee also sub-delegates credit, investment and capital expenditure authorities to its members and the Bank's senior executives.

To further enhance the Bank's risk management framework and in line with best practices, the Bank has set up a Risk Management Meeting, a risk meeting of the Executive Committee, to provide recommendations and advice to the Bank's Chief Risk Officer on enterprise-wide management of all risks, policies and guidelines for the management of risk within the Group. Risk Management Meetings should be held six times each year. Minutes of Risk Management Meetings are provided to the Executive Committee and the Risk Committee for review and oversight purpose.

### Audit Committee

The Audit Committee meets at least four times a year with the Bank's executives including the Chief Financial Officer, Chief Risk Officer, Head of Audit, and representatives from the Bank's external auditor. The Committee reviews, among other things, the Bank's financial reporting, the nature and scope of audit reviews, the effectiveness of the systems of internal control and compliance relating to financial reporting, and the operation and effectiveness of whistleblowing policies and procedures. The Audit Committee is also responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the Bank's external auditor. In addition, the Bank has adopted HSBC Group's *HSBC Confidential* whereby all staff members may report incidents of

improprieties on a strictly confidential and secured basis so that the same can be timely and thoroughly investigated and appropriate actions can be taken promptly.

The Audit Committee reports to the Board following each Audit Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

During the year, the Audit Committee held four meetings and the major work performed by the Committee was as follows:

- reviewed the financial statements for the year ended 31 December 2021 and the related documents, and internal control recommendations and audit issues noted by the Bank's external auditor
- reviewed the interim financial statements for the six months ended 30 June 2022 and the related documents, and the issues noted by the Bank's external auditor
- reviewed and approved the quarterly banking disclosure statements for reporting periods ended 31 December 2021, 31 March 2022, 30 June 2022 and 30 September 2022
- reviewed the Financial Resource Planning and capital plan for year 2022
- reviewed the quarterly financial performance and balance sheet management positions
- reviewed IFRS 17 project update and transition analysis
- reviewed the financial reporting risk updates, which included the effectiveness of the Bank's internal control systems relating to financial reporting and the Bank's financial and accounting policies and practices, as well as the revised accounting standards and prospective changes to accounting standards
- reviewed the scenario for internal stress testing and the stress testing approval process
- reviewed the significant policies and plans including, but not limited to, the Bank's Recovery Plan
- reviewed the internal audit reports and discussed the same with the Management and Head of Audit
- adopted the Internal Audit Plan and Internal Audit Charter for 2022, and reviewed the resources arrangements, audit statistics, internal audit reports and key themes, and the progress update of the Internal Audit Planning for 2023

- reviewed the update on Sarbanes-Oxley Act (SOX) implementation, internal control system assessment and accounting reconciliations control certificates as of 31 December 2021 and 30 June 2022
- reviewed the adequacies of resources, qualifications and experience of staff of the Accounting and Financial Reporting function (including those of ESG team) and Internal Audit function, and their training programmes and budgets
- reviewed the re-appointment, remuneration and engagement letter of the Bank's external auditor, its independence and objectivity, and the effectiveness of the audit process
- reviewed the report on whistleblowing cases in 2022 and the operation and effectiveness of the whistleblowing arrangements
- reviewed the Audit Committee's independence and effectiveness in discharging its role and responsibilities, and its terms of reference
- approved and reviewed the Audit Committee Certificates of the Bank and its subsidiaries
- approved and endorsed the appointment of Audit Committee Chairman/Members of the Bank and its subsidiaries, as appropriate
- reviewed the composition of the Audit Committees of the Bank and its subsidiaries
- reviewed the information cascaded from and escalated significant issues to the Audit Committee of The Hongkong and Shanghai Banking Corporation Limited, as appropriate

The Audit Committee also meets at least twice annually with the representatives of the Bank's Head of Audit and external auditor without the presence of the Management in accordance with its terms of reference.

### **Risk Committee**

The Risk Committee meets at least four times a year with the Bank's executives including the Chief Financial Officer, Chief Risk Officer, Head of Audit, Chief Compliance Officer, and representatives from the Bank's external auditor. The Committee is responsible for, among other things, the Bank's high level risk related matters, risk appetite and tolerance, risks associated with proposed strategic acquisitions or disposals, risk management reports from the Management, effectiveness of the risk management framework and systems of internal control and compliance (other than that regarding financial reporting), and appointment and removal of the Chief Risk Officer.

Pursuant to HKMA's Circular on "Bank Culture Reform", the Board has also delegated to the Risk Committee to encompass culture-related responsibilities. Such responsibilities include actions to approve, review and assess, at least annually, the adequacy of any relevant statement which sets out the Bank's culture and behavioural standards.

The Risk Committee reports to the Board following each Risk Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

During the year, the Risk Committee held four meetings and the major work performed by the Committee was as follows:

- reviewed the Bank's Culture Statement and culture dashboards
- reviewed the first line of defence reports of all lines of businesses
- reviewed the regular risk reports submitted by the Management including, but not limited to, risk management framework refresh, risk governance structure, internal control system assessment, risk appetite statement and framework and profile update, risk profile papers (including risk maps and top and emerging risks), compliance update, annual plan and progress update relating to compliance
- reviewed the scenario for internal stress testing and the stress testing approval process
- reviewed the enterprise-wide stress test results and risk assessment report, internal capital adequacy assessment process, and endorsed the internal liquidity adequacy assessment process, credit approval authority limits, and other significant risk policies, plans and frameworks
- reviewed the report on the alignment of risk and remuneration, and outcome of incentivising compliance for the pay review of performance year 2021
- reviewed the Internal Audit Plan and the Internal Audit Charter for 2022, and the resources arrangements, audit statistics, internal audit reports and key themes, and the progress update of the Internal Audit Planning for 2023
- reviewed the adequacy of resources, qualifications and experience of staff of the Risk and Compliance functions, and their training programmes and budgets



- reviewed the report on whistle-blowing cases in 2022 and the operation and effectiveness of the whistleblowing arrangements
- reviewed other risk related reports in relation to progress update of climate risk management; risk appetite metric limit update; commercial real estate exposures and related provisioning; third party risk management and outsourcing status update; technology and cyber security risk and Cloud update
- reviewed other operations related reports in relation to operational resilience programme; BCBS 239 Compliance Framework; update on business continuity plans of the Bank and its mainland subsidiary; update of the Bank's operations during the recent COVID-19 situation; operational event reports; and impact by the COVID-19 pandemic including the situation in China (Shanghai), the continual closure of the border and impacts arising from the geopolitical development, namely, the Ukraine/Russia conflict and China/US trade war
- endorsed the increase of the current exposure limit and additional limit cap of the Bank and its subsidiaries
- reviewed the revised risk-related HKMA Supervisory Policy Manuals
- reviewed the Risk Committee's independence and effectiveness in discharging its role and responsibilities, and its terms of reference
- approved and reviewed the Risk Committee Certificates of the Bank and its subsidiaries
- approved and endorsed the appointment of Risk Committee Chairman and Members of the Bank and its subsidiaries, as appropriate
- reviewed the composition of the Risk Committees of the Bank and its subsidiaries
- reviewed the information cascaded from and escalated significant issues to the Risk Committee of The Hongkong and Shanghai Banking Corporation Limited, as appropriate

The Risk Committee also meets at least twice annually with the Bank's Chief Risk Officer, Head of Audit, and external auditor separately without the presence of the Management in accordance with its terms of reference.

### Remuneration Committee

The Remuneration Committee meets at least twice a year to consider and provide advice to the Board on the remuneration policy and structure in order to underpin the Bank's people strategy. Pursuant to delegation by the Board, the Committee also considers and proposes for the Board's approval the remuneration packages of all EDs, senior management, key personnel and heads of control functions. In addition, it reviews at least annually and independently of the Management, the adequacy and effectiveness of the Bank's remuneration policy and its implementation, to ensure that the Bank's remuneration practices are consistent with relevant regulatory requirements and promotes effective risk management.

In determining the bank-wide remuneration policy, the Remuneration Committee will take into account the Bank's business objective, people strategy, short-term and long-term performance, business and economic conditions, market practices, conduct, compliance and risk control, in order to ensure that the remuneration aligns with business and individual performance, promotes effective risk management, facilitates retention of quality personnel and is competitive in the market. The Committee may invite any Director, executive, consultant or other relevant party to provide advice in this respect, if necessary. In 2022, the Committee engaged an external consultant to undertake an independent review of the Bank's remuneration policy and its implementation for year 2022.

The Remuneration Committee reports to the Board following each Committee meeting, and draws to the Board's attention any significant issues, identify any action or improvement required, and makes relevant recommendations.

During 2022, the Remuneration Committee held two meetings and the major work performed by the Committee was as follows:

- endorsed the remuneration packages of Executive Directors, senior management, key personnel and heads of control functions of the Bank
- endorsed the proposed variable pay for 2021 and pay review proposal for 2022, and the update on 2022 performance and pay review process and changes to performance management
- reviewed/endorsed the fees payable to Non-executive Directors and Committee Chairmen/Members of the Bank and its subsidiaries

- reviewed the report on the alignment of risk and remuneration, and outcome of incentivising compliance for performance year 2021 variable pay
- reviewed the remuneration policy of the Bank and approved the appointment of independent reviewer for the annual review of the Bank's remuneration policy and its implementation
- reviewed the outcome of the independent review by an external reviewer of the Bank's remuneration policy and remuneration system, and the adequacy and effectiveness of its implementation
- reviewed the outcome of the Group Material Risk Takers ("MRT") review and local MRT review for HACN for Performance Year 2022
- reviewed the update on enhancements made to the benefits across the Bank's entities, as well as legislative development in Hong Kong
- reviewed the Remuneration Committee's effectiveness in discharging its role and responsibilities, and its terms of reference
- approved and endorsed the appointment of Remuneration Committee Chairmen and Members of the Bank and its subsidiaries, as appropriate
- endorsed the remuneration packages for senior management and recommended to the Board for approval
- reviewed the composition of the Remuneration Committees of the Bank and its subsidiaries
- reviewed the information cascaded from and escalated significant issues to the Remuneration Committee of The Hongkong and Shanghai Banking Corporation Limited, as appropriate

### **Nomination Committee**

The Nomination Committee meets at least twice a year. It leads the process for Board appointments and identifies and nominates candidates for appointment to the Board, for the Board's approval. The Bank has adopted its Nomination Policy to ensure that proper selection and nomination processes are in place for Board appointments. The Nomination Committee shall consider the candidates based on merit having regard to the experience, skills, expertise as well as the overall Board diversity and shall undertake adequate due diligence in respect of the candidates and make recommendations for the Board's consideration and, if thought fit, approval. If necessary, the Bank may also engage external search firm to assist in the sourcing

and identification of appropriate candidates for Board appointments. The Nomination Policy is also available on the website of the Bank ([www.hangseng.com](http://www.hangseng.com)). The Bank will from time to time review the Nomination Policy and monitor its implementation to ensure its compliance with regulatory requirements and good corporate governance practices.

The Committee also considers, among other things, the structure, size and composition of the Board and Non-executive Board Committees, independence of INEDs, re-election of Directors, term of appointment of NEDs, time commitment required from NEDs, appointment to Board Committees, and approves the appointment to the position of "manager" as defined under the Banking Ordinance.

The Nomination Committee reports to the Board following each Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

During the year, the Nomination Committee held two meetings and the major work performed by the Committee was as follows:

- endorsed the appointment of an ED and Board Committee Chairman and members for the Board's approval
- approved the appointment of Senior Management and senior executives
- approved the revised list of the Bank's "managers" list under the Banking Ordinance
- reviewed the Board Succession Plan and succession planning for senior management
- endorsed the Board Diversity Policy for the Bank's approval
- reviewed the structure, size and composition of the Board and Non-executive Board Committees
- reviewed the succession planning for the Board and Senior Management
- reviewed the independence of INEDs
- reviewed the time commitment required from NEDs
- endorsed the renewal of terms of appointment of NEDs
- reviewed/endorsed the re-election/election of Directors
- reviewed the Nomination Committee's effectiveness in discharging its role and responsibilities, and its terms of reference



### Attendance Records

The attendance records of Board and Board Committee meetings held in 2022 are as follows:

	Meetings held in 2022						
	AGM	Board	Executive Committee	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Number of Meetings	1	6	10	4	4	2	2
<b>Directors</b>							
Irene Y L Lee* (Chairman)	1/1	6/6	–	4/4	4/4	2/2	2/2
Diana Cesar (Executive Director and Chief Executive)	1/1	6/6	10/10	–	–	–	2/2
John C C Chan* Note 20	1/1	2/2	–	–	–	1/1	1/1
L Y Chiang* Note 21	1/1	6/6	–	4/4	–	2/2	–
Cordelia Chung* Note 22	1/1	5/5	–	–	–	1/1	–
Kathleen C H Gan#	1/1	5/6	–	–	–	–	–
Margaret W H Kwan Note 23	–	–	1/1	–	–	–	–
Clement K M Kwok*	1/1	6/6	–	4/4	–	–	–
Patricia S W Lam* Note 24	–	4/4	–	–	–	–	1/1
David Y C Liao#	1/1	6/6	–	–	–	–	2/2
Huey Ru Lin* Note 25	–	4/4	–	–	1/1	–	–
Vincent H S Lo# Note 26	1/1	2/2	–	–	–	–	–
Kenneth S Y Ng* Note 27	1/1	6/6	–	–	4/4	–	1/1
Say Pin Saw Note 28 (Executive Director and Chief Financial Officer)	–	1/1	3/3	–	–	–	–
Xiao Bin Wang* Note 29	1/1	5/5	–	3/3	–	–	–
Michael W K Wu*	1/1	6/6	–	–	4/4	1/1	2/2
<b>Senior Management</b>							
Jordan W C Cheung Note 30	–	–	0/0	–	–	–	–
Kathy K W Cheung Note 31	–	–	8/8	–	–	–	–
Vivien W M Chiu Note 32	–	–	9/9	–	–	–	–
Rose M Cho	–	–	10/10	–	–	–	–
Liz T L Chow	–	–	10/10	–	–	–	–
Gloria L S Ho Note 33	–	–	6/6	–	–	–	–
Donald Y S Lam	–	–	10/10	–	–	–	–
Betty S M Law Note 34	–	–	3/4	–	–	–	–
Gilbert M L Lee	–	–	10/10	–	–	–	–
Rannie W L Lee Note 35	–	–	8/9	–	–	–	–
Andrew W L Leung Note 36	–	–	7/7	–	–	–	–
Godwin C C Li	–	–	9/10	–	–	–	–
Angela C M Shing Note 37	–	–	5/6	–	–	–	–
Ryan Y S Song	–	–	10/10	–	–	–	–
Christopher H K Tsang	–	–	10/10	–	–	–	–
Elaine Y N Wang Note 38	–	–	4/4	–	–	–	–
May M K Wong Note 39	–	–	7/7	–	–	–	–
Chee Leong Yeo Note 40	–	–	0/1	–	–	–	–
Average Rate	100%	99%	97%	100%	100%	100%	100%

\* INEDs

# NEDs



- Note 20 John C C Chan retired and stepped down as INED, and ceased to be Remuneration Committee Chairman and Nomination Committee member, all with effect from the conclusion of the Bank's Annual General Meeting held on 5 May 2022.
- Note 21 L Y Chiang stepped down as INED, and ceased to be Audit Committee member and Remuneration Committee member, all with effect from 1 January 2023.
- Note 22 Cordelia Chung was appointed as INED and Remuneration Committee member with effect from 23 February 2022 and 28 March 2022 respectively.
- Note 23 Margaret W H Kwan retired and stepped down as ED and ceased to be Executive Committee member, both with effect from 1 February 2022.
- Note 24 Patricia S W Lam was appointed as INED and Nomination Committee member, both with effect from 1 July 2022.
- Note 25 Huey Ru Lin was appointed as INED and Risk Committee member with effect from 1 July 2022 and 21 November 2022 respectively.
- Note 26 Vincent H S Lo retired and stepped down as NED with effect from the conclusion of the Bank's Annual General Meeting held on 5 May 2022.
- Note 27 Kenneth S Y Ng, currently Risk Committee Chairman, was re-designated as INED and appointed as Nomination Committee member with effect from 1 April 2022 and 5 May 2022 respectively.
- Note 28 Say Pin Saw was appointed as ED and Alternate Chief Executive with effect from 7 November 2022. Her appointment as Chief Financial Officer and Executive Committee member took effect from 11 September 2022.
- Note 29 Xiao Bin Wang was appointed as INED and Audit Committee member with effect from 23 February 2022 and 28 March 2022 respectively.
- Note 30 Jordan W C Cheung was appointed Executive Committee member with effect from 19 December 2022.
- Note 31 Kathy K W Cheung was appointed Executive Committee member and Alternate Chief Executive with effect from 7 March 2022 and 9 June 2022 respectively.
- Note 32 Vivien W M Chiu was appointed Executive Committee member and Alternate Chief Executive with effect from 1 January 2022 and 19 January 2022 respectively.
- Note 33 Gloria L S Ho was appointed Executive Committee member with effect from 1 May 2022.
- Note 34 Betty S M Law was appointed Executive Committee member with effect from 26 August 2022.
- Note 35 Rannie W L Lee was appointed Executive Committee member and Alternate Chief Executive with effect from 1 January 2022 and 1 April 2022 respectively.
- Note 36 Andrew W L Leung ceased to be Executive Committee member with effect from 11 September 2022.
- Note 37 Angela C M Shing was appointed as Executive Committee member with effect from 3 May 2022 and ceased to be Executive Committee member with effect from 1 December 2022.
- Note 38 Elaine Y N Wang ceased to be Executive Committee member with effect from 1 May 2022.
- Note 39 May M K Wong ceased to be Executive Committee member with effect from 26 August 2022.
- Note 40 Chee Leong Yeo ceased to be Executive Committee member with effect from 20 January 2022.

## Remuneration of Directors, Senior Management and Key Personnel

In determining the remuneration of the Directors, it's the Bank's policy in rewarding competitively the achievement of long-term sustainable performance. Our goal is to attract, motivate and retain the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance. This supports the long-term interests of our stakeholders, which includes the customers and the communities we serve, our shareholders and our regulators.

### Remuneration of Directors

The remuneration paid to NEDs and EDs is subject to annual review in accordance with the remuneration framework of the Bank.

The level of fees paid to NEDs is determined with reference to the Directors' responsibilities and commitment, and fees paid by comparable institutions. No equity-based remuneration with performance-related elements is granted to INEDs by the Bank to ensure their objectivity and independence.

As regards EDs, the following factors are considered with reference to the Remuneration Policy of the Bank when determining their remuneration packages:

- balanced scorecard of relevant financial and non-financial objectives including appropriate risk and compliance objectives, differentiated by performance
- general business and economic conditions
- changes in appropriate markets such as supply/demand fluctuations and changes in competitive conditions
- individual contributions to the Bank
- right behaviours aligned with the Group values, culture and conduct expectation
- retention consideration and individual potential

No individual Director is involved in deciding his/her own remuneration.



The current scale of Director's fees, and fees for chairmen and members of the Non-executive Board Committees, namely, Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee, are set out below:

	(HK\$)		(HK\$)
<b>Board of Directors</b> <small>Note 41</small>		<b>Remuneration Committee</b>	
Chairman	<b>860,000</b>	Chairman	<b>340,000</b>
Non-executive Directors	<b>660,000</b>	Members	<b>200,000</b>
<b>Audit Committee/Risk Committee</b>		<b>Nomination Committee</b>	
Chairman	<b>610,000</b>	Chairman	<b>450,000</b>
Members	<b>290,000</b>	Members	<b>200,000</b>

Note 41 In line with the remuneration policy of HSBC Group, no Director's fee is payable to those Directors who are full time employees of the Bank and its subsidiaries.

Information relating to the remuneration of Directors on a named basis for the year ended 31 December 2022 is set out in Note 14 to the Bank's 2022 Financial Statements.

### Remuneration of Senior Management and Key Personnel

According to HKMA's SPM CG-5 "Guideline on a Sound Remuneration System", authorised institutions are required to make disclosures in relation to their remuneration systems as appropriate. The Bank has fully complied with HKMA's disclosure requirements set out in Part 3 of the said Guideline.

There are 20 Senior Management members Note 42 and 8 Key Personnel Note 43 in 2022. The aggregate amount of remuneration Note 44 of the Senior Management and Key Personnel during the year, split into fixed and variable remuneration, is set out below:

Remuneration amount and quantitative information	2022	2021
<b>Fixed remuneration</b>		
1 Number of employees	<b>28</b>	25
2 Total fixed remuneration (HK\$ '000)	<b>78,366</b>	74,861
3 Of which: cash-based	<b>78,366</b>	74,861
<b>Variable remuneration</b>		
4 Number of employees <small>Note 45</small>	<b>28</b>	25
5 Total variable remuneration (HK\$ '000) <small>Note 46</small>	<b>51,989</b>	48,806
6 Of which: cash-based	<b>28,469</b>	27,456
7 Of which: deferred	<b>9,178</b>	8,283
8 Of which: shares or other share-linked instruments	<b>23,520</b>	21,350
9 Of which: deferred	<b>12,529</b>	11,252
<b>10 Total remuneration (HK\$ '000)</b>	<b>130,555</b>	123,667

Note 42 Senior Management refers to those executives who are (a) EDs of the Bank; (b) Alternate Chief Executives of the Bank; (c) Members of the Executive Committee of the Bank; and (d) Head(s) of the Bank's principal subsidiary/subsidiaries with offshore operations and with total assets representing more than 5% of the Bank's total assets. Among the senior colleagues mentioned above, 20 of them are Executive Committee members (including new joiners and leavers) of the Bank in 2022. The bands for the total remuneration payable to them in 2022 and the number of individuals falling within such banding are as follows: (a) less than HKD 5 million: 14 persons; (b) HKD 5 million to HKD 10 million: 4 persons; (c) more than HKD 10 million to HKD 15 million: 1 person; and (d) more than HKD 15 million: 1 person.

Note 43 Key Personnel refers to employees classified as "Identified Staff and Material Risk Takers" (collectively referred as "Material Risk Takers" or "MRTs") under the UK Prudential Regulation Authority Remuneration Rules.

Note 44 Remuneration refers to all remuneration payable to employees during the year with reference to their tenure as Senior Management and Key Personnel. The forms of variable remuneration and the proportion deferred are based on the seniority, role and responsibilities of employees and their level of total variable compensation. As the total number of Senior Management and Key Personnel involved is relatively small, to avoid individual figures being deduced from the disclosure, aggregate figures are disclosed in this section.

Note 45 Number of employees disclosed above includes leavers who may have zero variable pay.

Note 46 No deferred variable remuneration had been reduced through performance adjustments in 2022 and 2021.

The aggregate amount of special payments of the Senior Management and Key Personnel awarded during the year is set out below:

Special payments	2022		2021	
	Number of employees	Total amount (HK\$ '000)	Number of employees	Total amount (HK\$ '000)
1 Guaranteed bonuses	–	–	–	–
2 Severance payments	–	–	–	–

The aggregate amount of deferred and retained variable remuneration of Senior Management and Key Personnel is set out below:

Deferred and retained remuneration (HK\$ '000)	2022		2021	
	Cash	Shares	Cash	Shares
1 Total amount of outstanding deferred remuneration <sup>Note 47 &amp; 49</sup>	20,527	27,615	22,449	27,134
2 <i>Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment</i>	20,527	27,615	22,449	27,134
3 Total amount of amendment during the year due to ex post implicit adjustments <sup>Note 50</sup>	–	2,033	–	3,389
4 Total amount of deferred remuneration paid out in the financial year <sup>Note 48, 49 &amp; 51</sup>	9,826	18,898	11,949	13,141

Note 47 Outstanding, unvested, deferred remuneration is exposed to ex post explicit adjustments via malus.

Note 48 Paid and vested variable pay made to Material Risk Takers is subject to clawback.

Note 49 There is no reduction of deferred remuneration and retained remuneration due to ex post explicit adjustments during 2022 and 2021 via the application of malus and/or clawback.

Note 50 Outstanding, unvested, deferred shares are exposed to ex post implicit adjustments. The total value of these shares was calculated based on the closing market share price of HSBC Holding plc (London) as at 31 December of the respective financial years. HSBC's share price was 14.94% higher as at 31 December 2022 when compared to that of 31 December 2021.

Note 51 The total amount of deferred remuneration paid out in the financial year reported for 2021 was under reported. Correct numbers are outlined in the table.

Other relevant remuneration disclosures are set out in Notes 14, 15 and 50(b) to the Bank's 2022 Financial Statements.

## Accountability and Audit

### Financial Reporting

The Board aims at making a balanced, clear and comprehensive assessment of the Bank's performance, position and prospects. A financial resource planning is reviewed and approved by the Board on an annual basis. Reports on financial results, business performance and variances against the approved financial resource planning are made available to the Board for review and monitoring on a monthly basis.

Strategic planning cycles are generally from three to five years. The Bank's strategic plan for 2021- 2024 was approved by the Board in July 2021 and reviewed by the Board in November 2022. The Board oversees and reviews from time to time the implementation of the strategic plan.

The annual and interim results of the Bank are announced in a timely manner within two months after the end of the relevant year or period. Further, the Bank also publishes the Banking Disclosure Statement on a quarterly basis pursuant to HKMA's requirements, which provides additional financial information to the public.

The Directors acknowledge their responsibilities for preparing the accounts of the Bank. As at 31 December 2022, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Bank's ability to continue as a going concern. Accordingly, the Bank's Directors have prepared the financial statements of the Bank on a going-concern basis.

The responsibilities of the external auditor with respect to financial reporting are set out in the "Independent Auditor's Report" attached to the Bank's 2022 Financial Statements.



## Internal Controls

### System and Procedures

The Board is responsible for internal control of the Bank and its subsidiaries and for reviewing its effectiveness.

The Bank's internal control system comprises a well-established organisational structure and comprehensive policies and standards. Areas of responsibilities for each business and functional unit are clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. Procedures have also been designed to ensure compliance with applicable laws, rules and regulations.

Systems and procedures are in place in the Bank to identify, control and report on the major types of risks the Bank encounters. Business and functional units are responsible for the assessment of individual types of risk arising under their areas of responsibilities, the management of the risks in accordance with risk management procedures and the reporting on risk management. The Bank maintains an effective risk management framework through the setting up of specialised management committees for the oversight and monitoring of major risk areas and the establishment of risk management departments under the relevant control functions of the Bank. Relevant risk management reports are submitted to Asset and Liability Management Committee, Risk Management Meeting, Executive Committee, and Risk Committee, and ultimately to the Board for oversight and monitoring of the respective types of risk. The Bank's risk management policies and major control limits are approved by the Board or its delegated committees, and are monitored and reviewed regularly according to established policies and procedures.

More detailed discussion on the policies and procedures for management of each of the major types of risk the Bank encounters is set out in the section "Risk" of the "Management Discussion and Analysis" in this Annual Report.

### Annual Assessment

A review of the effectiveness of the Bank's internal control system covering all material controls, including financial, operational, compliance, and risk management controls,

is conducted annually. The review at the end of 2022 was conducted with reference to the COSO (The Committee of Sponsoring Organisations of the Treadway Commission) internal control framework, which assesses the Bank's internal control system against the five elements of control environment, risk assessment, control activities, information and communication, and monitoring. The review results have been reported to the Audit Committee, Risk Committee and the Board. The Board is satisfied that such system is effective and adequate. In addition, the Bank, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff of the Accounting and Financial Reporting functions, and ESG performance and reporting function, and their training programmes and budget.

### Framework for Disclosure of Inside Information

The Bank has put in place 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 all the stakeholders to apprehend the latest position of the Bank and its subsidiaries. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

### Internal Audit

The primary role of the Internal Audit function is to help the Board and the Management to protect the assets, reputation and sustainability of the Bank. The Internal Audit function 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 the 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. The Internal Audit function'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 and the Audit Committee.

An Internal Audit Charter is reviewed and approved by the Audit Committee periodically which has detailed the purpose, organisation, authority, independence and objectivity, accountabilities and scope of work, and standards of audit

practices to govern the work of the Internal Audit function. Further, the Internal Audit function also maintains a quality assurance and improvement programme that covers all aspects of internal audit activity, including conformance with The Institute of Internal Auditors (IIA) Standards, applicable regulatory guidance and internal audit policies and procedures.

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. The Internal Audit function also reviews the Management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issue.

### External Auditor

PricewaterhouseCoopers, Certified Public Accountants and a Registered Public Interest Entity Auditor, is the Bank's external auditor. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the external auditor. The external auditor's independence and objectivity, and the effectiveness of the audit process are also reviewed and monitored by the Audit Committee on a regular basis.

During 2022, fees paid to the Bank's external auditor for audit services amounted to HK\$28.3 million, compared with HK\$27.4 million in 2021. For non-audit services, the fees paid to the Bank's external auditor amounted to HK\$15.8 million, compared with HK\$10.0 million in 2021. In 2022, the non-audit service assignments covered by these fees included HKD\$1.8 million for other assurance services.

### Audit Committee

The Audit Committee assists the Board in meeting its responsibilities for ensuring effective systems of internal control and compliance relating to financial reporting, and in meeting its financial reporting obligations, as well as overseeing the implementation and effectiveness of whistleblowing policies and arrangements.

### Risk Committee

The Risk Committee assists the Board in meeting its responsibilities for ensuring effective systems of risk management, internal control and compliance (other than that relating to financial reporting), in meeting its risk governance obligations. The Risk Committee also advises and assists in the Board's review of the effectiveness of culture enhancement initiatives.

## Communication with Shareholders

### Effective Communication

The Bank attaches great importance to communication with shareholders. To this end, a number of means are used to promote greater understanding and dialogue with the investment community. The Bank holds group meetings with analysts in connection with the Bank's annual and interim results. The results announcements are also broadcast live via webcast. Apart from the above, designated senior executives maintain regular dialogue with institutional investors and analysts to keep them abreast of the Bank's development, subject to compliance with the applicable laws and regulations. In addition, the Bank's Chief Executive, ED(s) and Chief Financial Officer also made presentations and held group meetings with investors at investor forums.

Further, the Bank's website ([www.hangseng.com](http://www.hangseng.com)) offers timely access to the Bank's financial information, announcements, circulars to shareholders and information on the Bank's corporate governance structure and practices. For efficient communication with shareholders and in the interest of environmental preservation, shareholders are encouraged to browse the Bank's corporate communications on the Bank's website, in the place of receiving printed copies of the same.

The AGM provides a useful forum for shareholders to exchange views with the Board. The Bank's Chairman, ED(s), Chairmen of the Board Committees and NEDs are available at the AGM to answer questions from shareholders about the business and performance of the Bank. In addition, the Bank's external auditor is also invited to attend the AGM to answer questions about the conduct of the audit, and the preparation and contents of the auditor's report. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election and election (as the case may be) of individual Directors. For AGM held physically, an explanation of the detailed procedures of conducting a poll will be provided to shareholders at the AGM, to ensure that shareholders are familiar with such procedures.

The Bank's last AGM was held on Thursday, 5 May 2022 ("2022 AGM") at Hang Seng Bank Headquarters. In the interest of safety and wellbeing of the Bank's shareholders, staff and other members of the community amid the prevailing COVID-19 pandemic, the Bank still adopted special arrangements for the 2022 AGM, in order to minimise attendance in person, while enabling shareholders to vote and ask questions.



The quorum of the 2022 AGM was legitimately formed by directors and other senior staff members who were shareholders. Shareholders were, however, able to view and listen to the 2022 AGM through a live webcast which could be accessed by going to the webcast link provided on any browser enabled device. The Bank also set up a dedicated telephone line for shareholders to ask questions directly at the 2022 AGM.

All resolutions at the 2022 AGM were decided on a poll. Shareholders were still able to vote by doing so in advance of the 2022 AGM by appointing the chairman of the AGM as their proxy to exercise their voting right in accordance with their instructions. Shareholders were also encouraged to express their views both before the 2022 AGM by submitting their questions to a designated email account and during said meeting through the webcast link provided and the dedicated telephone line. All the resolutions proposed at that meeting were approved by poll. Details of the poll results are available under the section "Investor Relations" of the Bank's website ([www.hangseng.com](http://www.hangseng.com)). The next AGM will be held in the second quarter of 2023, the notice of which will be sent to shareholders at least 20 clear business days before the said meeting.

To facilitate shareholders' understanding of the current corporate information of the Bank, details of the substantial interests in share capital and the public float information of the Bank are set out in the "Report of the Directors"; and other important information for shareholders is also disclosed in the "Corporate information and Calendar" in this Annual Report.

### Calling an Extraordinary General Meeting

Shareholder(s) holding not less than five percent of the total voting rights of all the members having a right to vote may request to call an Extraordinary General Meeting of the Bank.

The requisition (a) must state the general nature of the business to be dealt with at the meeting, (b) must be signed by the requisitionist(s), and (c) may either be deposited at the Bank's registered office at 83 Des Voeux Road Central, Hong Kong in hard copy form or sent by email to [egmrequisition@hangseng.com](mailto:egmrequisition@hangseng.com). If the resolution is to be proposed as a special resolution, the requisition should include the text of the resolution and specify the intention to propose the resolution as a special resolution. The requisition may consist of several documents in like form, each signed by one or more requisitionist(s).

The requisition must also state (a) the name(s) of the requisitionist(s), (b) the contact details of the requisitionist(s), and (c) the number of ordinary shares of the Bank held by the requisitionist(s).

The Directors must proceed to convene an Extraordinary General Meeting within 21 days from the date of receipt of the requisition. Such meeting should be held on a date not more than 28 days after the date on which the notice convening the meeting is given.

If the Directors fail to convene the Extraordinary General Meeting as aforesaid, the requisitionist(s), or any of them representing more than one-half of the total voting rights of all of them, may themselves convene the meeting. Any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the requisition.

A meeting so convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the Directors to convene a meeting shall be reimbursed to the requisitionist(s) by the Bank.

### Putting Forward Proposals at General Meetings

Shareholders representing at least 2.5 percent of the total voting rights of all the members having a right to vote, or, at least 50 shareholders who have a relevant right to vote, may:

- put forward proposal at general meeting
- circulate to other shareholders written statement with respect to matter to be dealt with or other business to be dealt with at general meeting

For further details on shareholder qualifications, and the procedures and timeline, in connection with the above, shareholders are kindly requested to refer to Sections 580 and 615 of the Companies Ordinance (Cap 622, Laws of Hong Kong).

Further, a shareholder may propose a person other than a retiring Director of the Bank for election as a Director of the Bank at a general meeting. For such purpose, the shareholder must send to the Bank's registered address (for the attention of the Bank's Company Secretary) a written notice which identifies the candidate and includes a notice in writing by that candidate of his/her willingness to be so elected. Such notice must be sent within the seven-



day period commencing on the day after the despatch of the notice of the meeting, or such other period as may be determined by the Directors from time to time, and ending no later than seven days prior to the date appointed for such meeting. Procedures for shareholders to propose candidates for election as Director of the Bank are also available on the website of the Bank ([www.hangseng.com](http://www.hangseng.com)).

### Putting Enquiries to the Board

Shareholders may send their enquiries requiring the Board's attention to the Bank's Company Secretary at the Bank's registered address. Questions about the procedures for convening or putting forward proposals at an AGM or Extraordinary General Meeting may also be put to the Company Secretary by the same means.

### Shareholders Communication Policy

The Bank has established a Shareholders Communication Policy which sets out the Bank's processes to provide shareholders and the investment community with ready, equal and timely information on the Bank for them to make informed assessments of the Bank's strategy, operations and financial performance, and to engage actively with the Bank and exercise their rights as shareholders in an informed manner. The most recent review was undertaken and approved by the Board in November 2022 and the effectiveness of the Policy was confirmed considering multiple channels were in place and adopted to reflect the current best practice in communications with shareholders and the investment community. The said policy, which is subject to annual review, is available on the Bank's website ([www.hangseng.com](http://www.hangseng.com)).

### Dividend Policy

The Bank has formulated a Dividend Policy to set out the Bank's medium to long term dividend objective to maintain steady dividends in light of profitability, regulatory requirements, growth opportunities and the operating environment. Its roadmap is designed to generate increasing shareholders' value through strategic business growth. The Bank would balance solid yields with the longer-term reward of sustained share price appreciation. When declaring dividends, the Bank will, in general, take into consideration factors including regulatory requirements, financial results, level of distributable reserves, general business conditions and strategies, strategic business plan and capital plan, statutory and regulatory restrictions on dividend payment, and any other factors the Board may deem relevant. More detailed disclosure on the Bank's Dividend Policy is set out in the section "Risk" of the "Management Discussion and Analysis" in this Annual Report.

## Material Related Party Transactions

### Material Related Party Transactions and Contracts of Significance

The Bank's material related party transactions are set out in Note 50 to the 2022 Financial Statements. These transactions include those that the Bank has entered into with its immediate holding company and its subsidiaries as well as its fellow subsidiary companies in the ordinary course of its interbank activities, including the acceptance and placement of interbank deposits, corresponding banking transactions, off-balance sheet transactions, and the provision of other banking and financial services.

The Bank uses the information technology services of, and shares an automated teller machine network with, The Hongkong and Shanghai Banking Corporation Limited, its immediate holding company. The Bank also shares information technology and certain processing services with fellow subsidiaries. In 2022, the Bank's share of the costs included HK\$1,722 million for system development, HK\$830 million for data processing, and HK\$1,118 million for administrative services.

The Bank maintains a staff retirement benefit scheme for which a fellow subsidiary company acts as trustee and the Bank's immediate holding company act as administrator. As part of its ordinary course of business with other financial institutions, the Bank also distributes retail investment funds for a fellow subsidiary with a fee income of HK\$30 million and markets Mandatory Provident Fund for its immediate holding company during the year 2022 with a fee income of HK\$135 million.

These transactions were entered into by the Bank in the ordinary and usual course of business on normal commercial terms, and in relation to those which constituted connected transactions under the Listing Rules, they also complied with applicable requirements under the Listing Rules. The Bank regards its usage of the information technology services of The Hongkong and Shanghai Banking Corporation Limited (amount of information technology services cost incurred for 2022: HK\$505 million) as contracts of significance for 2022.



### Continuing Connected Transactions

(a) On 21 June 2019, Hang Seng Insurance Company Limited ("HSIC"), a wholly-owned subsidiary of the Bank, entered into the following agreements, both of which have been renewed or amended on 21 June 2022:

- (i) A management services agreement ("Previous Management Services Agreement") with HSBC Life (International) Limited ("INHK") for a term of three years expired on 21 June 2022, pursuant to which INHK, directly or through one or more of its affiliates, provided certain management services to HSIC.

Subsequent to 21 June 2019, the Previous Management Services Agreement was amended and restated to effect minor amendments to the scope of services provided by INHK with effect from 1 September 2019. INHK, on a quarterly basis, charged HSIC a fee for the provision of the services on a fully absorbed cost basis plus a mark-up of 6%. These charges, which were subject to an annual cap, were determined following negotiation on an arm's length basis and in accordance with the policy of the HSBC Group, which took into account the Organisation for Economic Co-operation and Development ("OECD") transfer pricing guidelines.

- (ii) An investment management agreement ("Previous Investment Management Agreement") with HSBC Global Asset Management (Hong Kong) Limited ("AMHK") for a term of three years expired on 21 June 2022, pursuant to which AMHK acted as investment manager in respect of certain of HSIC's assets held from time to time. AMHK delegated to HSBC Alternative Investments Limited ("HAIL") the management of part of such assets by way of a bespoke portfolio in accordance with a specific management mandate ("Specific Management Mandate") entered into between HSIC, AMHK and HAIL on 21 June 2019. On 23 December 2020, certain minor amendments were made to the Specific Management Mandate to expand the investment scope of alternative credits and specify that AMHK shall assist HAIL by providing client servicing to HSIC on behalf of HAIL.

HSIC paid AMHK, on a quarterly basis, a fee of between 0.05% and 0.5% per annum of the mean value of the assets under management. Under the Specific Management Mandate, HSIC also paid HAIL a fee of between 0.35% and 0.5% per annum before the aforesaid amendments to the Specific Management

Mandate; or a fee of between 0.22% and 0.35% per annum after the aforesaid amendments, both of the aggregate value of assets under management in a bespoke portfolio, together with a performance fee of 10% per annum payable in certain circumstances in respect of the amount by which the return of such portfolio exceeded a benchmark return of 8% (before the aforesaid amendments) or 5% (after the aforesaid amendments) annually. The above fees, which were subject to an annual cap, were determined on an arm's length basis.

- (b) On 21 June 2019, HSIC entered into a fund monitoring agreement ("Fund Monitoring Agreement") with HAIL for a term of three years commencing from 22 June 2019. The Fund Monitoring Agreement sets out the terms upon which HAIL has agreed to provide services to HSIC in connection with the monitoring of the portfolios of certain funds into which HSIC has invested and monitoring their respective fund managers. HSIC paid HAIL an annual amount equivalent to 0.04% per annum of the value of funds invested by HSIC in the specified portfolio which were the subject of the monitoring services. The above fee, which was subject to an annual cap, was determined on an arm's length basis.

- (c) On 21 June 2016, HSIC entered into a private equity investment management agreement ("PE Investment Management Agreement") with HAIL for a term of 11 years, pursuant to which HAIL acts as investment manager in respect of certain private equity fund investments made by HAIL on behalf of HSIC.

- (i) Certain minor amendments had been made to the PE Investment Management Agreement on 4 May 2018, 10 May 2018, and on 21 June 2019, the PE Investment Management Agreement was amended and restated to remove the retainer fee and increase the management fee cap.

- (ii) HSIC has agreed to pay HAIL between 0.35% and 0.75% per annum of the aggregate value of assets under management as an annual management fee on an aggregate basis, and in order to ensure full alignment of interests between the two parties, a performance fee of 15% carried interest if certain hurdle rates of return are achieved for HSIC in respect of the investments made in each year of the investment period under the PE Investment Management Agreement. The above fees, which are subject to certain fee caps, were determined on an arm's length basis.



(iii) Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction of a listed company must not exceed three years except in special circumstances. As the term of the PE Investment Management Agreement is 11 years, the Bank, in compliance with Rule 14A.52 of the Listing Rules, appointed an independent financial adviser to explain why the PE Investment Management Agreement requires a term that is longer than three years and to confirm that it is normal business practice for investment management agreements relating to private equity investments to be of such duration. The explanation and confirmation by the independent financial adviser were set out in the Bank's announcement on 21 June 2016.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps for the Previous Management Services Agreement exceed 0.1% but were less than 5%, the Previous Management Services Agreement was therefore only subject to the reporting, announcement and annual review requirements under the Listing Rules.

As announced, one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps for the Previous Investment Management Agreement, the Specific Management Mandate and the Fund Monitoring Agreement and the fee caps for the PE Investment Management Agreement, on an aggregated basis, exceeded 0.1% but were less than 5%, these agreements were therefore only subject to the reporting, announcement and annual review requirements under the Listing Rules.

Details of the terms of the Previous Management Services Agreement, the Previous Investment Management Agreement, the Specific Management Mandate, the Fund Monitoring Agreement and the PE Investment Management Agreement, and the relevant annual caps and fee caps were announced by the Bank on 21 June 2019.

(d) On 21 June 2022, HSIC renewed or amended and entered into the following agreements:

(i) A new management services agreement ("New Management Services Agreement") with INHK for a term of three years, pursuant to which INHK, directly or through one or more of its affiliates, provides certain management services to HSIC.

INHK, on a quarterly basis, charges HSIC a fee for provision of the services on a fully absorbed cost basis plus a mark-up of 6%. These charges, which are subject to an annual cap, were determined following negotiation on an arm's length basis and in accordance with the policy of the HSBC Group, which took into account the OECD transfer pricing guidelines.

(ii) A new investment management agreement ("New Investment Management Agreement") with AMHK for a term of three years, pursuant to which AMHK acts as investment manager in respect of certain of HSIC's assets held from time to time.

HSIC has agreed to pay AMHK, on a quarterly basis, a fee of between 0.05% and 0.5% per annum of the mean value of the assets under management. The above fee, which is subject to an annual cap, was determined on an arm's length basis.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps for the New Management Services Agreement exceed 0.1% but are less than 5%, the New Management Services Agreement is therefore only subject to the reporting, announcement and annual review requirements under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps for the New Investment Management Agreement exceed 0.1% but are less than 5%, the New Investment Management Agreement is therefore only subject to the reporting, announcement and annual review requirements under the Listing Rules.

Details of the terms of the New Management Services Agreement and the New Investment Management Agreement, and the relevant annual caps were announced by the Bank on 21 June 2022.

INHK, AMHK and HAIL are all indirect wholly-owned subsidiaries of the HSBC Group, the ultimate controlling shareholder of the Bank, and therefore are connected persons of the Bank. Accordingly, all of the aforesaid agreements constitute continuing connected transactions of the Bank. The Bank has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.



For the year ended 31 December 2022, the respective amounts paid and payable under the Previous Management Services Agreement to 21 June 2022 and thereafter the New Management Services Agreement to 31 December 2022 were approximately HK\$15 million and HK\$17 million. Both amounts were within the respective caps set for the above two periods of HK\$120 million and HK\$97 million. The aggregate amount paid and payable under the Previous Investment Management Agreement and the Specific Management Mandate up to 21 June 2022, and the New Investment Management thereafter to 31 December 2022 were approximately HK\$27 million and HK\$21 million, both of which were within the respective caps for the above two periods of HK\$77 million and HK\$45 million. The amount paid and payable under the Fund Monitoring Agreement up to 21 June 2022 was approximately US\$27,183 (equivalent to HK\$213,379) which was within the cap set for the period with reference to the annual cap of US\$75,000 (approximately HK\$585,000). The management fee of approximately US\$3,077,089 (equivalent to HK\$24,067,651) was paid and payable under the PE Investment Management Agreement for the year ended 31 December 2022, which was within the annual cap on management fee of US\$8,000,000 (approximately HK\$62,400,000). No performance fee was payable under the PE Investment Management Agreement for 2022.

In respect of all the aforesaid agreements which constitute the Bank's continuing connected transactions, all the INEDs of the Bank have reviewed the said transactions and confirmed that the said transactions have been entered into:

- (a) in the ordinary and usual course of business of the Bank and its subsidiaries;
- (b) on normal commercial terms or better; and
- (c) in accordance with the relevant agreements governing the same on terms that are fair and reasonable and in the interests of the shareholders of the Bank as a whole.

Further, the Bank engaged its external auditor to report on the continuing connected transactions of the Bank and its subsidiaries in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The

Directors confirmed that the external auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out in the preceding paragraphs in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Bank to The Stock Exchange of Hong Kong Limited.

### Connected Transaction

On 5 October 2022, HSIC, HSBC (Guernsey) GP PCC Limited ("HGGP") and HSBC Management (Guernsey) Limited ("HMGL") entered into a limited partnership agreement ("Limited Partnership Agreement") pursuant to which HSIC, as investor, and HGGP, as general partner, have established a limited partnership vehicle, namely, H9 LP Inc. ("H9 LP"), for the purpose of making private equity investments. Under the Limited Partnership Agreement, HMGL has been appointed as manager to manage the assets of H9 LP in accordance with the Limited Partnership Agreement, and may engage HAIL as exclusive investment advisor to provide HMGL with investment advisory services. HSIC is the sole investor of H9 LP.

HSIC has agreed to commit a total of US\$1,440,000,000 (equivalent to HK\$11,232,000,000) to H9 LP, with such amount to be invested in vintage 2022. HSIC's liability under the Limited Partnership Agreement is limited to the aggregate of its undrawn commitments.

Details of the terms of the Limited Partnership Agreement and the relevant capital contributions were announced by the Bank on 5 October 2022.

HGGP and HMGL, both being indirect wholly-owned subsidiaries of the HSBC Group, the ultimate controlling shareholder of the Bank, are connected persons of the Bank. The Limited Partnership Agreement is therefore a connected transaction of the Bank.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the new investment mandate is more than 0.1% but less than 5%, the Limited Partnership Agreement is exempt from the independent shareholders' approval requirement, and is subject only to the reporting and announcement requirements in respect of connected transactions set out in Chapter 14A of the Listing Rules.

The Bank has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## Culture

### Business Principles and Values

The Bank has a set of clear business principles and corporate values to guide the Bank in the decisions it takes and how it operates. "Courageous Integrity" is the guiding principle for staff to speak up and to do the right thing with no compromises to the Bank's ethical standard and integrity. The Bank strives for an inclusive culture that enables employees to fulfil their potentials.

The Bank's refreshed purpose as an organisation is to open up a world of opportunity with an aim to achieve this by striving to become the preferred banking and financial services partner for customers in Hong Kong and the Greater Bay Area. On an operational level, the Bank's actions are guided by four redefined core values, namely, "We value difference, We succeed together, We take responsibility, and We get it done". The Bank expects all employees to reflect these values by seeking out different perspectives, collaborating across boundaries, holding ourselves accountable and taking the long view, and moving at pace and making things happen. Leaders and managers are expected to bring to life the corporate values in everyday work. Ongoing management effort is made to embed the corporate values and good conduct through (a) tone from the top; (b) strengthening people management capability to build desired culture; and (c) incentivising and showcasing desired behaviors.

Since 2019 a behavioral led culture change programme "RIGHT Together" was launched to embed culture actions, with five behavioral foci in line with its corporate values and business principles to enable the Bank to "Serving Customers RIGHT and Serving the RIGHT Customers" for sustainable business growth.

In addition to the above, the Bank continues to drive five Conduct Outcomes, (a) We understand our customers' needs, (b) We provide products and services that offer exchange of value, (c) We service customers' ongoing needs, and will put things right if we make a mistake, (d) We act with integrity in financial markets we operate in, and (e) We operate resiliently and securely to avoid harm to HSBC customers and markets, under the Purpose-led Conduct Approach Embedding Programme.

The first line-of-defence has the responsibility for ensuring we achieve good Conduct Outcomes. The second line-of-defence has the responsibility for understanding

how Conduct applies to them and ensuring it is applied in the standards they set. Audit as the third lines-of-defence is responsible for assessing the effectiveness of the arrangement across all risk disciplines, operational arrangement and technologies.

The Bank's culture also aligns with its strategy and forms one of the strategic focuses in the Bank's strategy.

### Anti-Corruption Policy and Whistleblowing Policy

The Bank has its anti-corruption policy which observes the HSBC Group's Global policy and supports local anti-corruption laws and regulations with periodic review in place to ensure its effectiveness and compliance with the prevailing regulatory requirements. The Bank also adopted the HSBC Group's whistleblowing channel called "HSBC Confidential" which offers a safe, simple and globally consistent ways to raise concerns across various channels including contact center, electronic form and email which are operating 7x24.

For more details of the Bank's Anti-Corruption Policy and Whistleblowing Policy, please refer to our ESG Report 2022 published on the Bank's website ([www.hangseng.com](http://www.hangseng.com)).

### Staff Code of Conduct

To ensure the Bank operates to the highest standards of ethical conduct and professional competence, all staff are required to strictly follow the Staff Code of Conduct. With reference to applicable regulatory guidelines and other industry best practices, the Code sets out the ethical standard and values that all staff will adhere to and covers various legal, regulatory and ethical issues. Topics including, but not limited to, conduct in obtaining/granting business and business facilitation, use of information, personal account dealings, conflicts of interest, expectations for personal relationship in the workplace, outside activities, diversity and inclusion, alcohol and drugs, and behaviour expectations at work related (including corporate and social) events are covered in the Code. The Code is reviewed on an annual basis and as when required to reflect the latest regulatory requirements and the Bank's internal policies.

The Bank uses various communication channels to periodically remind staff of the requirement to adhere to the rules and ethical standards set out in the Code. To ensure their understanding on the rules and regulations set out in the Code, an online curriculum for the Code was launched in 2022 and all staff are required to complete it.



### Avoidance of Conflicts of Interest

The Bank has established policies and procedures to manage actual or potential conflicts of interest of its staff. Robust organisational structure has 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 as well as staff dealing rules and undergo training on the avoidance of conflicts of interest in carrying out their duties.

### Human Resources

The human resources policies of the Bank are designed to attract high calibre talents at all levels of the Bank, develop and motivate them to fulfil their potential and excel in their careers. The Bank is committed to building awareness and encouraging an open and inclusive culture, ensuring all employees would have fair and equal access to opportunities.

#### Employee Statistics

As at 31 December 2022, the Bank's total headcount was 7,020 representing a decrease of 609 or -8%, compared with a year earlier. The total headcount comprised 3,003 executives (50% are male and 50% are female), 2,973 officers (38% are male and 62% are female) and 1,044 clerical and non-clerical staff (34% are male and 66% are female). The female representation of senior leaders (Global Career Band 3 or above) in Hang Seng Group (including operations in Hong Kong, China, and overseas representative offices) was targeted at 45.9% for 2022. As at 31 December 2022, we have achieved 46.3%.

In 2022, the Bank has achieved a gender balance (44%-69% female) at all four levels, including our Board, executive, senior management and workforce as follows:

- 69% of Board of Directors are female
- 60% of Executive Committee members
- 44% of senior leaders are female
- 58% of our employees in Hong Kong are female

In 2023, the Bank will continue to sustain its inclusive culture where everyone has the opportunity to grow and achieve their career objectives in the Bank, thereby improve and sustain the Bank's female representation at the senior level.

The female representation is driven by 3 factors, namely, hiring, promotion and attrition with the following ratios (as of the end of 2022):

- 47 % of the Bank's external senior hires are female

- 58 % of the Bank's promotion into senior leaders are female
- 41 % of the Bank's voluntary attrition of senior leaders are female

To build a diverse and inclusive workforce, all hiring managers are required to complete a learning programme "Hiring and Selection: Getting it Right" on hiring and selection as a pre-requisite. The programme prepares hiring managers with evidence-based interviewing skills and raises their awareness of unconscious bias in the selection of candidates.

#### Employee Remuneration

The Bank aims to attract, motivate and retain the best people. The Bank's reward strategy supports this objective through rewarding those who are committed to a long-term career with the Bank with demonstrated sustainable performance, strong alignment to corporate values and adherence to risk and compliance standards.

The Remuneration Committee oversees the Bank's overall remuneration strategy and ensures it is compliant with local laws, rules or regulations; is in line with the risk appetite, business strategy, culture and values, and long-term interests of the Bank; and is appropriate to attract, retain and motivate employees to support the success of the Bank. The fundamental principles, philosophies and processes are documented in the Bank's remuneration policy.

The Bank adopts a Total Compensation approach. In determining the total remuneration for employees, fixed and discretionary variable pay are considered and differentiated by performance and adherence to corporate values. The Bank will make reference to individual's responsibility, capability and risk profile of the job to ensure appropriate balance between the fixed pay and variable pay.

Fixed pay is determined by taking into account relevant level of the role, skills and experience required by the Business and composition of pay in the markets in which the Bank operates and in support of the Bank's people strategy. Salaries are reviewed in the context of business performance, individual potential and performance, market practice, internal relativities and regulatory requirements.

Bank-wide variable pay budgets are determined based on the Bank's business performance, people strategy, risk appetite statement and risk metrics including conduct risks. The variable pay budget is shaped by risk considerations and the Bank's performance is sustainable in the long-term. The ex-ante risk adjustment of remuneration within the Bank is achieved in the way that the Risk Committee

of the Bank will advise the Board and/or the Remuneration Committee, as appropriate, on the alignment of risk appetite with performance objectives set in the context of variable incentive and on whether any adjustments for risk need to be applied when considering performance objectives and actual performance. In addition, the overall variable pay funding proposal is refined with reference to the advice of Chief Financial Officer and Chief Risk Officer in respect of the Bank's financial position and performance against its risk appetite profile.

Variable pay plans takes into account a combination of corporate and/or business results as well as the individual's performance. They reward financial quantitative measures and non-financial qualitative measures including adherence to corporate values, management of risks, service standards, ethical behaviour and responsible selling. To embed a values-led, high performance culture, the variable pay plans are designed to recognise and reward positive behaviours while discourage negative behaviours that put the Bank under unnecessary financial, regulatory or reputational risk with the application of consequence management, malus and clawback policies.

Variable pay consists of deferred and non-deferred components in the forms of cash and share award. The Bank adopts a progressive deferral mechanism with higher deferral rates and different forms of deferral by reference to (a) the employee's seniority, role, responsibilities and the potential risks that their activities may create for the Bank; and (b) the total amount of variable remuneration exceeding the prescribed thresholds. The deferred award has a vesting period of three to seven years and is subject to malus and clawback. In some instances, retention periods of up to one year may be implemented on vested share awards.

The principles of the remuneration policy are applicable to the Bank and its subsidiaries, subject to the local legislative requirements and market practices, and are proportionate to the scope and complexity of the local business.

## Employee Engagement

The Bank aims to create a work environment that promotes employee engagement, champions diversity and a culture of inclusivity, and empowers our people to perform at their best by providing training and performance coaching, career development opportunities and support for employee well-being.

To enable a working environment that allows for a higher degree of flexibility to promote work-life balance and enhance resilience, a hybrid working model has been implemented with support mechanisms in place to empower employees to connect and collaborate to get things done.

The Bank takes seriously its commitment to promote physical and mental wellness among its employees and has provided facilities and activities to support care for its people, including cooking, yoga and mindfulness classes, online workshops for carers, and sports amenities, among other initiatives. The Bank's staff volunteer team also provides a platform to enhance employee engagement and establish a culture of care for the community. In 2022, over 20 activities were organized for its staff volunteers, covering themes like future talent development, caring for the environment, caring for the underprivileged kids and elderly, as well as manning hotlines to provide support for those in need amidst the pandemic.

Information on the Bank's direction and strategies, policy updates, and employment-related matters is conveyed to employees through business briefings, town hall meetings, intranet posts, morning broadcasts, circulars, e-mails, and the Bank's social communication mobile app for staff, which aims to engage employees in dialogue with senior management and encourages collaboration among colleagues across all levels.

The Bank also encourages employees to provide suggestions, comments and feedback through employee surveys, exchange sessions, and thematic focus groups. Conducted annually, the employee survey seeks to gain insights from employees' perspectives on the Bank's progress against its strategy, what they think about the Bank's culture and leadership, and how they think the Bank could improve the working and workplace experience. In 2022, with an 83% response rate, 'Change Leadership' and 'Trust' recorded a favourable score of 77% and 78% respectively, and they remained two of the highest scoring indices among eight, the others being Employee Engagement, Employee Focus, Strategy, Speak-up, Career, and Inclusion. Additionally, the Bank proactively pays regard to staff sentiment and behaviour with a view to enhancing communication and staff engagement plans as well as developing suitable training programmes to reinforce positive corporate culture and values.





## Growth and Development

The Bank is committed to the development of competence and ethical behaviour of staff members with due regard to the principles set out in HKMA's SPM CG-6 on "Competence and Ethical Behaviour". The Bank has established policies and procedures for monitoring, developing and maintaining the competence level and ethical behaviour of staff members. These include clear guidance as set out in various policy manuals, robust performance management system, training and development solutions provided on a regular and need basis.

The Bank offers a full spectrum of learning resources on wide-ranging banking, technical and management subjects, e-Learning, Classroom Training (both virtual and physical), mobile learning, and VR training etc, to support staff learning and development. To start with, all new joiners are provided with a comprehensive induction programme of the Bank's history, vision, culture, values, risk management and corporate governance. The Bank also offers a series of anti-money laundering, conduct, anti-bribery and corruption training programmes to strengthen the financial crime risk management culture. A wider range of on-the-job role based specific training programmes are also available for each critical role, in the areas of relationship management, sales, products, operations, compliance, credit and risk, etc. On average, the Bank's staff members in Hong Kong undertook 3.2 days of learning and development programme (excluding those arranged by individual department) in 2022. In addition, the Bank offers education subsidy to support staff to pursue professional or academic qualifications and/ or acquire job-related knowledge.

The Bank invests in the development of its leadership pipeline and supports the personal growth of staff by providing a broad range of leadership and management development solutions. To ensure sustainability, the Bank has strategies, measures and analytics to plan and manage succession to leadership roles, and to prepare high-potential talents for their succession to critical roles. Businesses/ functions supported by the Human Resources take actions to accelerate the development of successors and high potential talents through feedback and coaching, planned job moves for development including cross fertilisation between businesses/functions, and implementing individual development plans.

## Recruitment and Retention

The Bank pursues external recruitment of fresh graduates, experienced professionals and functional specialists to support planning and execution of business strategy. New hires are offered well-structured on-boarding and development programmes. At the same time, the Bank promotes opportunities for internal mobility and career development for internal staff. The Bank sponsors internships and student placements to build pipeline for future hires.

The Bank sponsors intake through the Fintech Internship programme co-launched by HKMA and the Applied Science and Technology Research Institute and launched Youth Placement, Management Trainee programmes and Functional Trainee Programme in different lines of business and functional areas are in place to develop professional competence and to build future talents for key roles. People managers focus on staff engagement and retention through their roles in everyday performance management and development coaching of their staff, offer of career advancement opportunities and market competitive remuneration.

## Environmental, Social and Governance

### ESG Strategy

The prolonged pandemic, international geopolitical environment and ongoing effects of climate change reflect the need for every organisation to take a long-term view of its operations and develop robust strategies that prioritise resilience, adaptability and transparency in a fast-changing business environment. We are proactively addressing Environmental, Social and Governance ('ESG') issues on three major fronts: to enhance the performance of our own operations, through the provision of services that help our customers transition to the low-carbon economy, and in responding to the needs of our community.

Since 2021, we have focused on the following six ESG pillars in pursuit of our aspiration to be a leading entity to drive ESG in the banking industry:

- Environmental targets
- Sustainable finance
- Youth
- Climate risk management
- Advocacy and awareness
- Robust disclosure

With the active participation and support of colleagues across the Bank, we made good progress with our various ESG initiatives in 2022. We enhanced our carbon reduction targets and saw a substantial increase in the volume of our sustainable financing business. For the second year in a row, we title-sponsored the Chamber of Hong Kong Listed Companies' 'ESG and Green Finance Opportunities Forum', which connects key stakeholders, including investors, corporates, NGOs and regulators, and provides them with a valuable opportunity to discuss ESG best practices and the potential of green finance. We also published six episodes of ESG comics to help raise staff's and public awareness of different ESG topics in an engaging and lively manner.

## Environment

### New Climate-related Commitments

We were the first local bank in Hong Kong to sign up as a supporter of the Task Force on Climate-related Financial Disclosure ('TCFD') back in 2020. We made reference to TCFD recommendations for the first time when compiling the climate-related information published in our Environmental, Social and Governance Report 2021. In 2022, we further stepped up our climate change-related commitments by becoming the first local bank in Hong Kong to sign up to the Science Based Targets initiative ('SBTi') to set carbon emission reduction targets in line with latest climate science. We aim to reduce carbon emissions from our own operations to net zero by 2030. We are also contributing to the HSBC Group's ambitions of becoming net zero in its supply chain by 2030 and aligning the financed emissions in its portfolio of customers to net zero by 2050.

### Conserving Environment Through Our Services

With the aims of reducing our environment footprint and enabling our customers to make greener lifestyle choices, we launched a 'Green Receipt' (transaction e-Advice) service at all our branches and Business Banking Centres in August 2022. After carrying out an in-person transaction, customers can choose to receive their transaction receipt digitally in real time through our HARO WhatsApp Virtual Assistant. This service provides a more convenient and eco-friendly way for customers to store, manage and share their transaction records, as well as helping us to reduce our use of paper.

We began transitioning from using PVC to rPVC for newly issued credit cards and ATM cards in April 2022 and July

2022 respectively. This switch has reduced our carbon emissions in procurement and operations, as well as those of our suppliers in the production of Hang Seng credit cards and ATM cards. This initiative also contributes to the 'circular economy' by using recycled material and reducing the environmental impact of disposing of our credit cards and ATM cards.

## Sustainable Finance

In addition to setting targets for our operational ESG performance, we also continued to integrate ESG elements into our products and services. In 2022, we arranged the first green trade facility for a customer in the paper and printing industry in Hong Kong to support the expansion of its green supply chain network and to encourage over 20 of its suppliers to collaborate more closely on carbon reduction, sustainability and other environmental protection activities, while concurrently supporting the working capital flexibility of the customer and its suppliers. We also rolled out green mortgage and electric vehicle loans and provided green shopping offers to help our personal banking customers to pursue more environmentally sustainable lifestyles. Our wholly owned subsidiary, Hang Seng Indexes Company Limited, launched the Hang Seng Climate Change 1.5°C Target Index and HSCEI ESG Enhanced Index to provide benchmarks for investors to integrate climate and ESG considerations into their portfolios.

## Community Investment

We advocate for actions that will have a sustainable and positive impact in our community. Our community investment strategy is based around four pillars: Future Skills, Promoting Sustainable Finance and Financial Literacy, Addressing Climate Change and Care for the Community.

'Addressing Climate Change' has become a key focus since 2020 to enhance our efforts to help tackle the global climate change challenge and align our ESG aspirations. In 2021, we rolled out the Hang Seng Low Carbon Future: SolarCare Programme to support renewable energy development. The first solar power system under the Programme was installed at Breakthrough Youth Village, a local NGO site, in 2022. The electricity generated from the solar panels will be fed into Hong Kong's energy grid under the Hong Kong Government's Feed-in Tariff Scheme. The resulting financial rebates from the Scheme will be used to fund youth climate education activities, with an estimated reach of 5,400 young people each year.





Riding on the success of Hang Seng Low Carbon Future: SolarCare Programme, we launched the Hang Seng Low Carbon Future – Low Carbon Schools Programme together with CarbonCare InnoLab ('CCIL') in 2022 to help the participating schools reduce their carbon emissions through the production and use of renewable energy. We have made donation to CCIL to install solar panels at two schools in 2022. The two schools will earn rebates from the Hong Kong Government's Feed-in-Tariff Scheme, which will be used to fund climate awareness and education initiatives for the two schools' teachers, students and family members.

In addition, we have funded a one-year carbon sequestration research project of The Hong Kong Polytechnic University. The project, which commenced in the fourth quarter of 2022, is evaluating the potential effectiveness of oyster farming as a nature-based solution for carbon sequestration in Hong Kong.

We also closely monitor the various acute needs of society and allocate appropriate resources to community investment initiatives. In response to the far-reaching impact of Hong Kong's fifth wave of COVID in February 2022, we pledged HK\$10 million in community support, which included donating 154,000 rapid antigen tests, 25,000 caring packs with disinfectant products, and helping to set up outreach programmes to assist people in need in our city. We supported the Hong Kong Family Welfare Society ('HKFWS') to establish an Emotional Well-being and General COVID Support Hotline. The hotline provided callers with psychological support, COVID-related information and referral services. During the 3-month hotline service, it had managed near 5,500 calls, supported by over 100 social workers and volunteers, including our enthusiastic staff. In addition, we provided community support by calling isolated senior citizens in cooperation with the Chinese YMCA of Hong Kong.

Details of our other community investment initiatives are disclosed in the ESG section of our website.

### External Recognition

Our actions to drive ESG development have been recognised by external stakeholders. We ranked first in Hong Kong for gender equality in the Gender Equality in Asia-Pacific Special Report 2022 published by Equileap, an international specialised data provider focusing on gender metrics. In the same Report, we are the only bank in the Asia Pacific region to have achieved gender balance at all four company levels: Board, executives, senior management and workforce.

Closer at home, we received an AA+ rating in Hang Seng Corporate Sustainability Index Series 2022/23 and have been a constituent in three indexes of the index series for 12 consecutive years. In 2022/23, we ranked first for overall ESG performance and attained the highest score in four out of seven core areas in the 'Financials' industry. The Hang Seng Corporate Sustainability Index Series recognises listed companies in Hong Kong and mainland China with excellent ESG performance.

We also performed strongly in the Business Sustainability Indices organised by The Chinese University of Hong Kong Business School's Centre for Business Sustainability. We ranked fifth in both the Hong Kong Business Sustainability Index ('HKBSI') and The Greater Bay Area Business Sustainability Index ('GBABSI') and achieved a seventh-place ranking in the Greater China Region Business Sustainability Index ('GCBSI'). The HKBSI assesses the sustainability performance of the 58 constituents of the Hang Seng Index, while the GBABSI assesses the sustainability performance of Hong Kong-listed companies operating in the Guangdong-Hong Kong-Macao Greater Bay Area that are eligible for southbound trading under the Stock Connect Scheme.

Our ESG disclosure has also received external recognition. Our Environmental, Social and Governance Report 2021 won a 'Best GRI Report Commendation' in the Hong Kong ESG Reporting Awards 2022. The Awards recognise organisations that adopt GRI Standards for ESG reporting, excel in complying with GRI reporting principles and requirements, and exemplify best practices in sustainability governance, materiality assessment and stakeholder engagement.

For more details of our ESG disclosures in 2022, please refer to our ESG Report 2022 published on the Bank's website ([www.hangseng.com](http://www.hangseng.com)).

### Health and Safety

The Bank commits to ensure a best in class health and safety business environment. To achieve this, the Bank sustains its accredited management system ISO 45001:2018 Occupational Health and Safety Management System ("OHSMS") in 2022, via prescribed surveillance visit by independent external certification body, with an aim to minimise the exposure of health and safety associated risk to all stakeholders including staff, customers and contractors with its business activities within the Bank's premises.

The Bank's proactive strategies are aimed at enhancing the health and safety, wellbeing of the Bank all stakeholders to achieve desired outcomes. The Bank commits to:

- providing and maintaining a safety-first workplace culture where the Bank takes care of each other and provides a best in class 'activity-base working' environment where safety is prioritised;
- reviewing the effectiveness of health and safety management system continuously by appointed certification body at planned interval;
- taking all reasonably practicable measures to eliminate or minimise risks to the physical and mental health, safety and wellbeing of the Bank staff and others via comprehensive risk assessment;
- providing sufficient information, instruction, supervision and training for work process;
- fostering a collaborative and cooperative relationship with the Bank staff and other stakeholders through effective consultation regarding health, safety and wellbeing activities at work;
- encouraging effective early intervention practices to better identify risk and minimise the impact on the physical and mental health of the Bank staff;
- taking care of vulnerable employee via sound controls in place; and
- marketing best practice in the industry for continuous improvement.

Each of the Bank staff contributes to building and maintaining a physical and mentally healthy work environment by caring for one another and always putting safety first. Each of the Bank staff also plays an important role in engaging in meaningful, respectful and open consultation about health and safety matters to achieve the Bank's strategic outcomes.

The Bank acknowledges its staff shared duties under the Bank's Health & Safety Policies, which are committed to consulting, cooperating and coordinating health and safety activities to achieve positive safety outcomes for the Bank staff.

It is also fundamental that all employees recognise and accept that they have a responsibility to work safely, to maintain a safe workplace and never walk by unsafe acts and conditions. The Bank staff are also required to exercise general duties as Employee as well as to observe all health and safety policies, guidance and practices established by the Bank. The Bank believes that all accidents and illnesses can and should be prevented through continuous commitment, communication and acts of safety of the Bank staff, in addition to living up the strong safety culture within the Bank.

The Bank develops and continuously review work arrangement guiding principles and procedures for COVID-19, which sets out the actions to be taken by various units in response to the occurrence of different scenarios. In addition, the Bank keeps an adequate stock of hygiene consumables, such as cleaning products, face masks etc, to protect its staff at all times. The Bank staff are also well trained to raise the overall safety risk awareness through the Bank-wide intranet of the importance of personal hygiene and health, and the contingency measures, in order to enable the Bank services to the community during an outbreak of a COVID-19.

The Global Safety Week 2022 spreads the importance of safety through this year's theme - Every incident has an impact. With everyone's support, we can promote S.A.F.E.R. behaviours and reduce the number of incidents.

## Other Information

### Organisational Structure

Under the Bank's current organisational structure, the Bank's businesses and functions are set out as follows:

Businesses	Functions
Wealth and Personal Banking	Audit Financial Control
Commercial Banking	Communications Human Resources
Global Banking	Compliance Legal
Global Markets	Corporate Governance & Secretariat Marketing Corporate Sustainability Risk Digital Business Services Strategic Planning and Corporate Development