



恒生銀行  
HANG SENG BANK



# 2021

## Environmental, Social & Governance Report

Hang Seng Bank (China) Limited

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## About This Report

This report is the first Environmental, Social, and Governance (ESG) Report published by Hang Seng Bank (China) Limited (hereinafter referred to as 'Hang Seng China'; 'Hang Seng Bank' referred to as the 'parent bank'). It provides an overview of our active and effective explorations and practices during 2021 on ESG factors relevant to Hang Seng China. Considering the business nature of Hang Seng China, this report focuses on and discloses its great efforts and achievements in corporate governance, environmental protection, employee welfare, customer services and Corporate Social Responsibility projects in 2021, comprehensively reflecting the fulfillment and planning of ESG concept and social responsibilities of Hang Seng China.



### Report Scope

This report includes the ESG performance of Hang Seng China from January to December 2021, covering the headquarters and all branches. Some information out of this period is provided to present a wider scope of our performance trend. All information is from the company's official documents and internal statistical reports.

### About Data and Information

Information and data disclosed herein are primarily obtained by the following means:

- Internal data collection system and relevant statistical reports
- Good practices of sustainable development
- Qualitative & quantitative information collections under the report framework

All amounts in this document are in RMB Yuan unless otherwise noted.

### Compliance Reference

This report is prepared with reference to the *Opinions on Strengthening Social Responsibility of Banking Financial Organizations* of the China Banking and Insurance Regulatory Commission (CBIRC) (YJBF[2007]No. 252), the *Guidelines for the Preparation of Reports on the Fulfillment of Social Responsibility by Companies*, the *Notice on Further Improving Information Disclosure on Poverty Alleviation Work of Listed Companies*, and the *Guidelines on Corporate Social Responsibility of Banking Financial Organizations in China* issued by the China Banking Association, as well as the following documents:

*The United Nations Sustainable Development Goals (SDGs)*  
*The Principles for Responsible Banking (PRB)* of the United Nations Environment programme  
*The GRI Sustainability Reporting Standards (GRI Standards)* of the Global Sustainability Standards Board (GSSB)  
*The Guidance on Social Responsibility (ISO26000)*  
*The China CSR Reporting Guidelines (CASS-CSR4.0)* of the Chinese Academy of Social Sciences (CASS)

### Availability

Published in April 2022 in Simplified Chinese and English, this report is available in both print and electronic formats. For reading or download, please visit our website ([www.hangseng.com.cn](http://www.hangseng.com.cn)) and WeChat official account (@恒生中国).



## The Chief Executive's Message



### Fulfill ESG Responsibilities, Create an Inclusive Future

2021 marks the start of China's 14<sup>th</sup> Five-Year Plan and the first year for China's '30·60' decarbonization goal (to achieve carbon emissions peak by 2030 and carbon neutrality by 2060). In this year, the new development philosophy of innovative, coordinated, green, open and shared development initiated a profoundly holistic transformation. Being a central pillar of modern economy, financial institutions must proactively take due responsibilities pertaining to the industrial and even national advancement. Over the years, financial institutions including foreign banks have made continuous efforts and have carried out many effective explorations and practices.

As financial opening-up strides forward, Hang Seng China engages in a series of ESG practices to feel China's development pulse and create a green future. In March 2021, we pledged to reach carbon neutrality in own operations by 2030 as an integral part to be a leading ESG practitioner widely recognized among foreign banks in China. We have established a systematic framework for green development and embedded ESG concept into our corporate values, organizational structure, management process, product & service innovation, business planning and community building. To reach carbon neutrality by 2030, we have developed the roadmap and action plans with clear emission reduction targets and timeline. We have also integrated our mission and responsibilities into our business development strategy. Hang Seng China today released the 2021 ESG report presenting our ESG practices and performance, as we sincerely encourage communications with our stakeholders, and constantly explore ESG development paths and inspire financial

peers' involvement in ESG.

In 2021, we reached a growth with net profits growing at a compound annual growth rate (CAGR) of 27% for the past three years and a significant improvement in both business development and market influence. All of these would not have been possible without the great support and trust of the society as well as the efforts put in by each and every one of our employees. We will continue our challenging but bright journey with heartfelt appreciation.

Under our action framework for green development, we made active response to the green development initiative with strong efforts in carbon neutrality, green finance and green Corporate Social Responsibility (CSR), contributing to China's '30·60' decarbonization goal. Our commitment to carbon neutrality aims to minimize our negative impact on the environment, with growing green finance supports the low-carbon transformation of enterprises. Moreover, we have launched a series of *Future-themed* CSR projects, including *Seed the Future* to protect and restore forests and mangroves, conserve biodiversity, and enhance community resilience to climate change; *Revitalize the Future* to cultivate the talents and enable rural collective economic organization development in the countryside; and *Enlighten the Future* to improve financial literacy and the future skills of the youngsters. Over the past five years, we have invested nearly RMB14 million in these *Future-themed* CSR projects, benefiting more than 5,000 people. We have made deep innovations in wealth management, digital transformation and cross-boundary finance to empower industrial upgrading and promote the real economy.

Our ESG implementation is driven by excellent 'top-down' governance and active 'bottom-up' engagement. The ESG action plans are strongly supported by the board members of our parent bank and Hang Seng China, who have carefully reviewed our ESG report, assessed our sustainability performance and offered valuable improvement suggestions. I am proud to say that all Hang Seng China people, from account managers to back-office staff even extending to our customers constitute the backbone of our ESG practices. With ESG concept imbedded into our business strategies and every employee's work, we will certainly better seize the opportunities for green development and enhance sustainability capacity.

Hang Seng China will adhere to the road of green development. We firmly believe that ESG is crucial for us to deepen our market presence and accomplish co-existence, co-prosperity and win-win with the society. Working with financial peers and more enterprises, we look forward to advocating and actively fulfilling our ESG responsibilities, and promote green transformation of economy and society for a better future!

Vice Chairman and Chief Executive  
of Hang Seng Bank (China) Limited



## ESG Prospect in Hang Seng China

### ESG Action Framework

By implementing the ESG concept, Hang Seng China is striving to become a leading ESG practitioner widely recognized among foreign banks in China. Currently the *United Nations Sustainable Development Goals (SDGs)* is the sole guideline of the United Nations on sustainable development, which can help the businesses deal with social problems and finally achieve co-sustainability between themselves and the society. In order to realize the carbon neutrality goal by 2030, we have established an ESG action framework based on the SDGs, with comprehensive consideration of our development strategy, industry trends and national policies for quality development. Furthermore, we make the plans and actions focusing on sustainable finance, green operations, harmonious community, talent empowerment, digital innovation and reliable governance. Our annual ESG report introduces relevant measures and progress to keep on optimization of ESG management and facilitate communication and collaboration with the stakeholders.

### Hang Seng China ESG Action Framework (2021–2030)



## ESG Achievements in 2021



### Economic

**27%**

of CAGR in net profit  
in the past three years

**15%**

of year-on-year growth  
in total asset in 2021

**166%**

of year-on-year growth in pre-tax  
profits from wealth management  
and personal banking in 2021

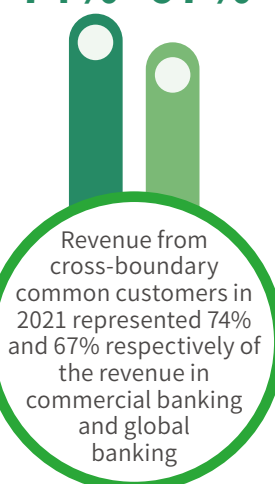
**76.7%**

of growth in the balance of green  
credit as of December 31, 2021  
over the same period last year

Syndication asset saw a CAGR of  
**29%** during the past  
three years

Hang Seng China ranks **1<sup>st</sup>** in terms of lead  
syndicate number and contract amount  
among all foreign banks in domestic  
syndicated loan market in 2021

**74% 67%**



### Social

**Top 50 Best Employers in Shanghai**  
**Favourite Employers among Chinese University Students**

for two consecutive years

**35,901** hours

of training for employees  
throughout 2021



In 2021, female  
employees represented

**71.35%**

of the total staff

with

**60%**

of female executives

A cumulative investment  
reached approximately

RMB **14** million

in the *Future-themed*  
CSR projects in the past  
five years

benefiting more than

**5,000** people



### Environmental



Carbon emission intensity in 2021 was

**0.152** tons of CO<sub>2</sub>e  
per square meter

**31.78%**

lower than in 2019



Compared with 2019, about

**33.42** tons

of paper and paper products  
were saved in 2020–2021

equivalent to about

**735**

fewer trees to be cut down



By the end of 2021, green floor  
space accounted for

**52%**

of the usable floor area of office  
and business premises



### 种·未来

In 2021, *Seed the Future* —  
Biodiversity Conservation  
Project, the core demonstration  
farming area of traditional  
purple rice in Mojiang, Yunnan  
Province increased by nearly

**30%**

and the yield exceeded

**20,000** kg,  
leading to increased income

### 兴·未来

By the end of 2021, our *Revitalize  
the Future* programme has  
provided employment skill  
training and coaching to nearly

**200** unemployed youths,

promoting multi-channel  
employment and  
entrepreneurship and  
developing talents for rural  
revitalization

### 启·未来

By the end of 2021, *Enlighten  
the Future* — Hang Seng  
China Youth Financial Literacy  
Improvement programme has  
benefited nearly

**5,000**

young students and teachers

from **32**

schools across China

# About Hang Seng China

Founded in May 2007 and headquartered in Shanghai, Hang Seng Bank (China) Limited, as the wholly-owned subsidiary of Hang Seng Bank, is engaged in various RMB and foreign exchange business approved by relevant regulatory authorities.

## 1.1 Introduction

After the first office operated in Shenzhen Special Economic Zone in 1985, Hang Seng Bank has been expanding its footprints in the Chinese mainland including Shanghai office in 1991 that was scaled up to Shanghai Branch in 1997; Guangzhou Branch in 1995, namely the first branch in mainland of China; and Hang Seng Bank (China) Limited, its legal person bank based in Shanghai in 2007, which is a milestone in the history of Hang Seng Bank and opens a new chapter in Chinese markets. At present, Hang Seng China has nearly 50 outlets, covering the Pearl River Delta, the Yangtze River Delta and the Bohai Rim Region, as well as Fujian, Yunnan and Sichuan.

## Corporate Values

### Opening up a world of opportunity

By leveraging our unique strengths, we persistently explore new opportunities for our customers and drive progress and growth to create a better world, benefiting our clients, employees, investors, communities and the planet we all live in

**We value difference**

Respect different views

**We success together**

Cooperate closely

**We take responsibility**

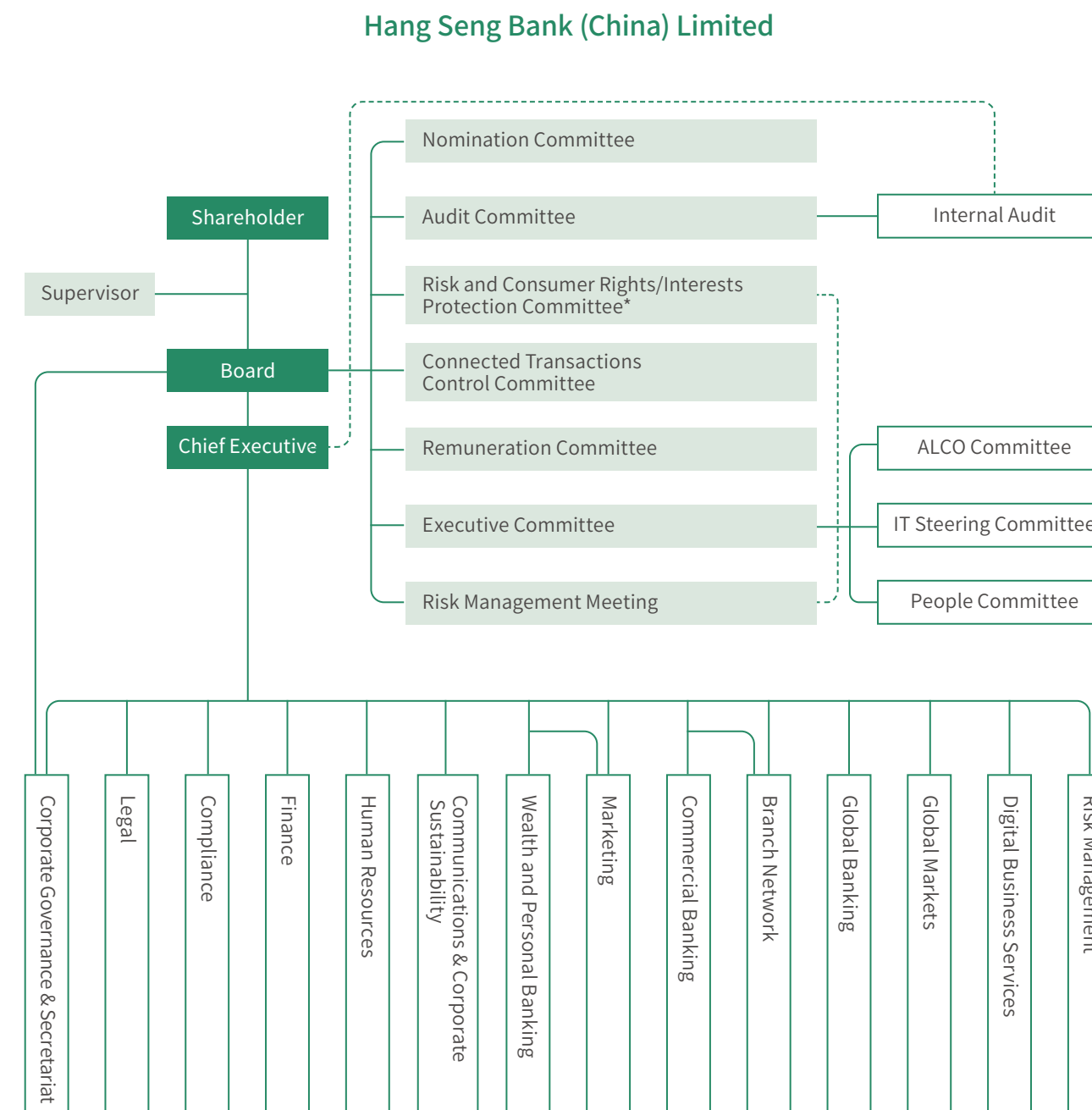
Dedicated to our duties with far-sighted prospects

**We get it done**

Respond rapidly to achieve goals

## 1.2 Organization Structure

Updated: Dec. 31<sup>st</sup>, 2021

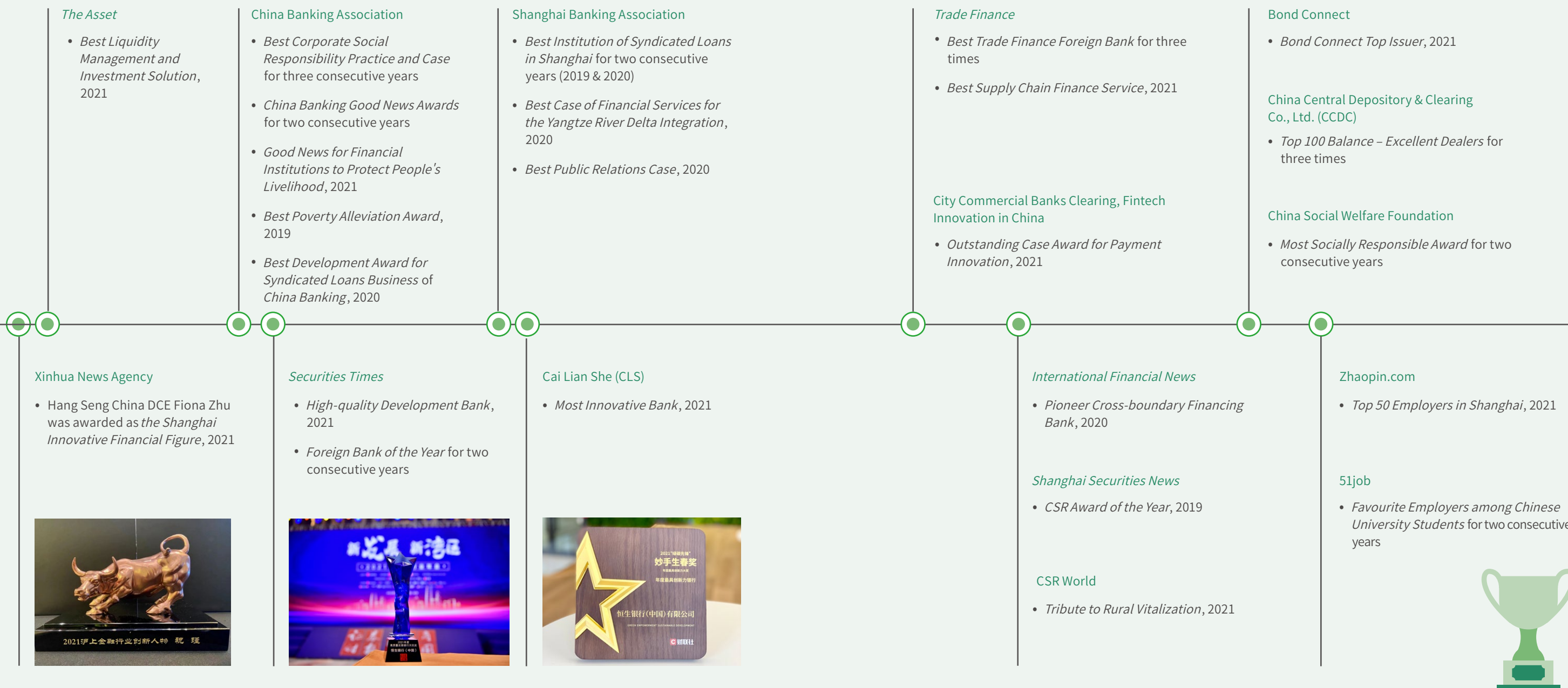


\*Risk and Consumer Rights/Interests Protection Committee, 'Risk Committee' for short



## 1.3 Awards & Honours

(only including awards to the headquarters and some employees during 2019 –2021)





# Green Development

# 2

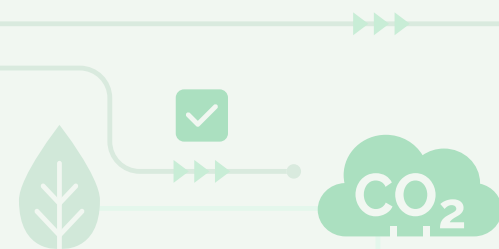
- 2.1 Green Operations to Achieve Carbon Neutrality
- 2.2 Green Finance to Empower Low-carbon Transformation
- 2.3 Green CSR to Enhance Community Resilience to Climate Change





2021 marks the start of China's 14<sup>th</sup> Five-Year Plan and the first year for China's '30·60' decarbonization goal. Accelerate the transition towards green development has become a focal point in this new era, in which the financial industry, as a critical pillar of modern economy, must play an important role.

In March 2021, Hang Seng China pledged to achieve carbon neutrality in own operations by 2030 as an integral part to become a leading ESG practitioner widely recognized among foreign banks in China. We established an action framework for green development with three-thronged targets at 'green operations for low-carbon development, green finance for green economy and green CSR for communities' adaption to climate change'. We also developed a roadmap outlining the actions to reach carbon neutrality by 2030, with clear emission reduction goals and comprehensive timeline.



### Green Operations to Achieve Carbon Neutrality

**Green Operations:** Reduce electricity consumption from operation by 45% by 2030 compared to 2019; Divert waste from landfills by 60% by 2030; Reduce paper consumption by 65% by 2030 compared to 2019

**Green Bank:** Increase certified green building percentage, build low-carbon and green bank

**Green Procurement:** Achieve carbon neutrality in supply chain by 2030

### Green Finance to Empower Low-carbon Transformation

**Green Credit:** Strengthen green credit services, with the year-on-year growth of green credit balance faster than that of corporate credit balance

**Innovation of Green Financial Products:** Empower comprehensive green transformation of economic and social development through innovation of green financial products and services

### Green CSR to Support Community Responding Climate Change

**Biodiversity Conservation:** Conservation and utilization of agricultural germplasm resources and biodiversity resources, encourage ecological farming, explore agricultural methane emission reduction models, and enhance community resilience to climate change

**Mangrove Protection and Restoration:** Carry out mangrove protection and restoration, protect marine ecosystem, consolidate and enhance the carbon sequestration capacity of mangrove and wetland ecosystems

**Hang Seng Forest:** Carry out forest restoration to consolidate and enhance carbon sequestration capacity of forest ecosystems



## 2.1 Green Operations to Achieve Carbon Neutrality

Hang Seng China strives to minimize environmental impacts from operations through less energy consumption, green workplace, paperless office, environment-friendly procurement as well as green, low-carbon, civilized and healthy lifestyle among employees.



Approximately

**33.42** tons

of paper and paper products were saved in 2020–2021 compared to 2019, which is equivalent to about

**735** fewer trees being cut down



Carbon emission intensity was

**0.152** tons

of CO<sub>2</sub>e per square meter in 2021

**31.78%**

lower compared to 2019



**52%**

of the floor area of office and business premises is green building certified



## Green Targets with Scientific Quantification

Green development and green operation are indispensable for us to realize sustainable development in the future. To reach the goal of carbon neutrality by 2030, we launched the workplace environment project in 2020, which involves setting up environmental goals, developing processes and enhancing environmental management capabilities.

- Assess environmental performance with relevant data
- Build energy database and make improvement plans based on environmental rating
- Formulate environmental goals in a short, medium and long run and energy-saving strategies to retain perfect environmental scores in the financial industry
- Realize higher environmental targets and keep on track through short-, medium- and long-term energy saving strategies

With reference to the Science Based Targets initiative (SBTi) and other international standards, and based on our internal improvement strategies and incremental analysis, we set up the long-term environmental goals for our workplace in December 2021 with 2019 as the benchmark year. These goals cover electricity consumption, GHG emissions, water consumption, waste disposal, and paper consumption.

### Hang Seng China Environmental Operation Goals for 2030

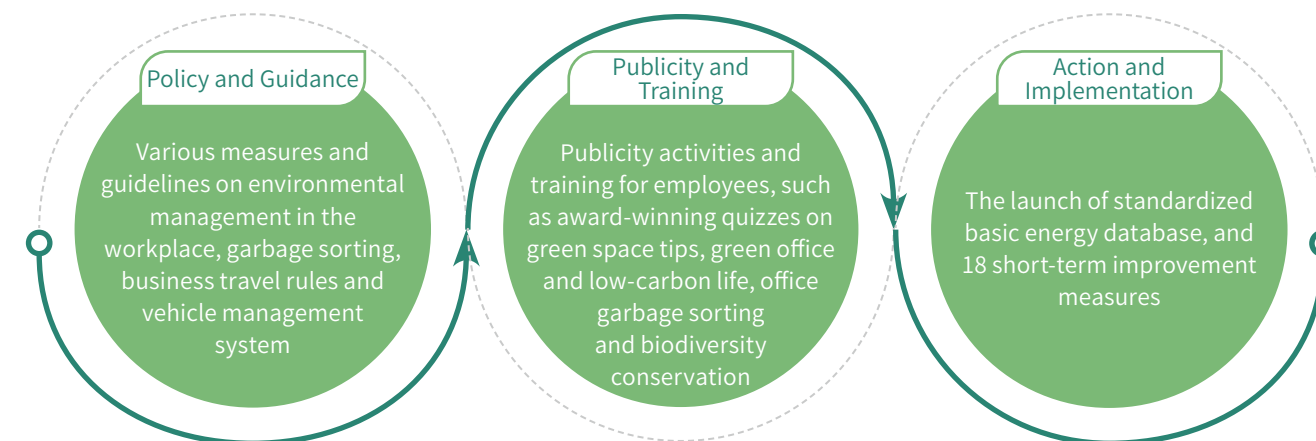
|                                  |   |
|----------------------------------|---|
| <b>Electricity consumption</b>   | <b>45%</b> absolute reduction in operation electricity consumption  |
| <b>GHG emissions<sup>1</sup></b> | <b>12%</b> absolute reduction in Scope 1 and 3 emissions, and<br><b>45%</b> absolute reduction in Scope 2 emissions |
| <b>Water consumption</b>         | <b>5%</b> reduction in recordable per capita water consumption  |
| <b>Waste disposal</b>            | <b>60%</b> diverted waste from landfill   |
| <b>Paper consumption</b>         | <b>65%</b> reduction in paper consumption   |

Notes:

<sup>1</sup> Scope 1 covers direct emissions from company-owned vehicles and diesel generators at the headquarters; Scope 2 covers indirect emissions from purchased electricity; and Scope 3 covers indirect emissions occurring elsewhere (air travel on business)

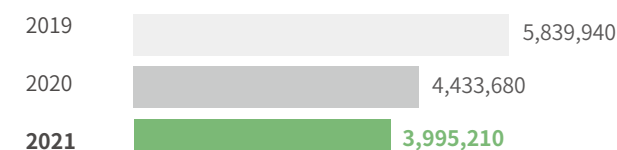
## Refined Green Operation Management

An important entry point for green operations in Hang Seng China is to create a green and low-carbon workplace. Covering electricity consumption, GHG emissions, water consumption, waste disposal and paper consumption, our long-term environmental goals for workplace are realized by policy and guidance, publicity and training, and action and implementation.

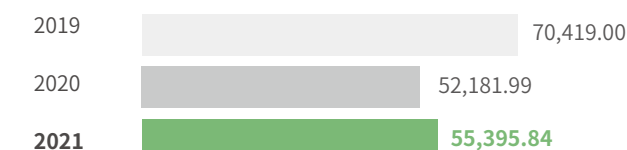


In order to achieve the long-term environmental goals for workplace, we have developed 35 improvement measures for short, medium and long period. By the end of 2021, 18 short-term measures have been rolled out and will be continued to further reduce daily carbon emissions. Compared against 2019, we saw a reduction of 1,844,730 kWh in electricity consumption and 1,748.5 tons of CO<sub>2</sub>e in carbon emissions, equivalent to planting of over 97,000 trees (provided that a tree can absorb about 18 kg of CO<sub>2</sub> in a year).

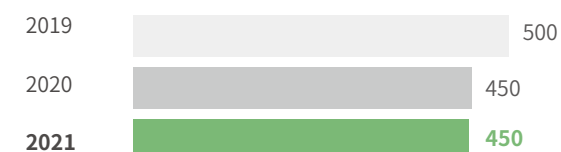
### Total electricity consumption (kWh)



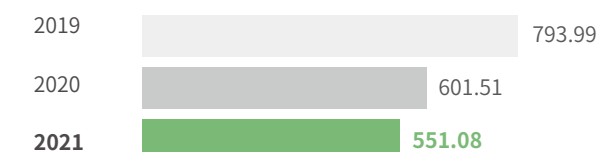
### Gasoline (Litre)



### Diesel (Litre)



### Comprehensive energy consumption (ton of standard coal)



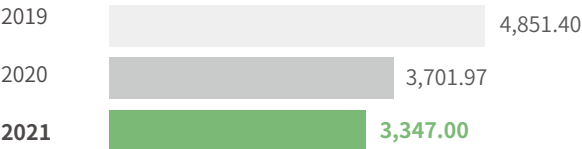
Total carbon emissions (Scope 1, 2 and 3)<sup>1</sup> (ton of CO<sub>2</sub>e)



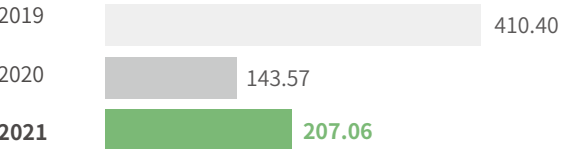
Direct emissions (Scope 1)(ton of CO<sub>2</sub>e)



Indirect emissions (Scope 2)(ton of CO<sub>2</sub>e)



Indirect emissions (Scope 3)(ton of CO<sub>2</sub>e)



GHG emissions per FTE (ton of CO<sub>2</sub>e per FTE)<sup>2</sup>



GHG emission per m<sup>2</sup> (ton of CO<sub>2</sub>e/m<sup>2</sup>)<sup>3</sup>



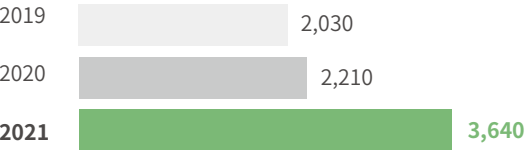
Notes:  
<sup>1</sup> Scope 1 covers direct emissions from official vehicles and diesel generators at the headquarters; Scope 2 covers indirect emissions from purchased and consumed electricity; and Scope 3 covers indirect GHG emissions occurring elsewhere (air travel on business)  
<sup>2</sup> FTE (full-time equivalent) statistics cover all employees and resident supplier's personnel  
<sup>3</sup> Usable area statistics cover all office and business premises



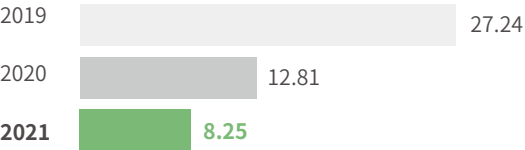
With the ideology of paperless services, we have carried out *Paperless in Action* with 2019 as the benchmark year for paper usage. We promote Digital Banking among our customers, adopt low-weight recycled paper for all necessary documents and continuously reduce paper consumption by streamlined processes and efficient operation. Consequently, 33.42 tons of paper and paper products were cut off in 2020–2021, equivalent to 735 fewer trees to be cut down since 22 trees produce 1 ton of paper.

Wastewater generated from daily operation and services is discharged into the municipal sewage systems without any breaches. Our employees are encouraged to embrace a green lifestyle and save water, and many water conservation measures are taken to achieve water reduction goals. Thanks to recycling and harmless disposal, we try our best to mitigate negative impacts on the environment. For instance, in 2021 we stressed on garbage sorting and implemented controls, annual recycling and reuse of daily wastes in the workplace.

Water consumption (ton)



Consumption of paper and paper products (ton)





## Healthy and Low-carbon Green Workplace

Hang Seng China believes green and low-carbon development is necessary for sustainable development of the future banking industry. Our low-carbon working dates back to several years ago, which is constantly monitored and tracked based on a sophisticated environmental database. Moreover, we have continued to invest in creating green workplaces in recent years.

We conduct technical due diligence on all leased or owned office and business premises to ensure compliance with environmental and other policies and standards, and assess any locally applicable environmental risks, including natural disasters such as earthquakes, landslides, floods and strong winds.

In 2021, we continued to promote the construction of low-carbon, environment-friendly, green and healthy workplace projects. The new workplace project at the headquarters officially passed the LEED/WELL certification, and the Shanghai iapm Mall sub-branch project also obtained LEED certification. With the implementation of many energy-saving renovation measures for offices, our electricity consumption in 2021 was reduced by more than 30% over 2019, showing significant energy-saving results.

According to statistics of buildings or offices that have obtained the LEED certification or China green building rating certificate, by the end of 2021, green floor space accounted for 52% of the usable floor area of office and business premises in Hang Seng China.

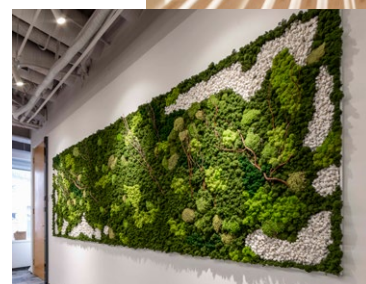


### Hang Seng China ESG Practicing

#### 'More' and 'Less': Green Development Prevails

"I've been a cleaning worker for four or five years. Since last year, there has been less work to do." Ms. Dai, a cleaner at the headquarters of Hang Seng China, saw some pleasant changes to her work in the past year. The cleaning cycle for the shredders was lengthened from two days to five days. With sense lights installed in the conference rooms, she needn't check whether someone has forgotten to turn off the lights from time to time. Everyone practices garbage sorting consciously ...

Unlike Ms. Dai, Mr. Li, engineering manager of the Corporate Services Department, had more work to do. At the beginning of this year, he was given a special new task, to collect energy consumption data of facilities and equipment in office premises all over the country. Every day 12:00 and 18:00, Mr. Li and his colleagues from the facilities management team at the headquarters record energy consumption of air conditioners, water consumption of pantries, and electricity consumption of office premises on the five floors of the Hang Seng Bank Building.



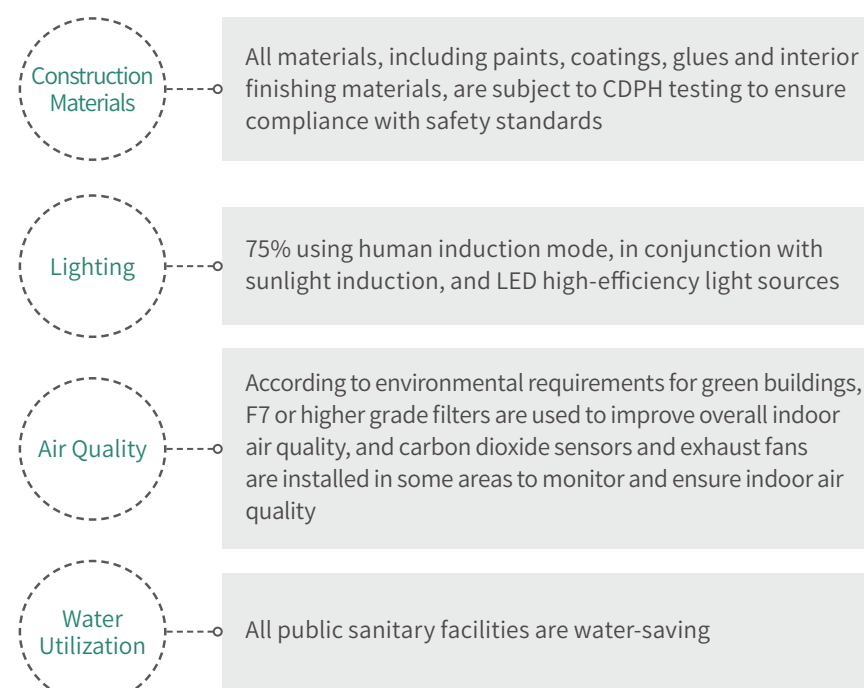
A straw shows which way the wind blows. The changes to the work of Ms. Dai and Mr. Li reflect the determination of Hang Seng China to promote green low-carbon development. The scales are tipped towards the green side ...

Source: Hang Seng China Keeps on its 'Green Way', WeChat official account of China Banking Association, May 17, 2021

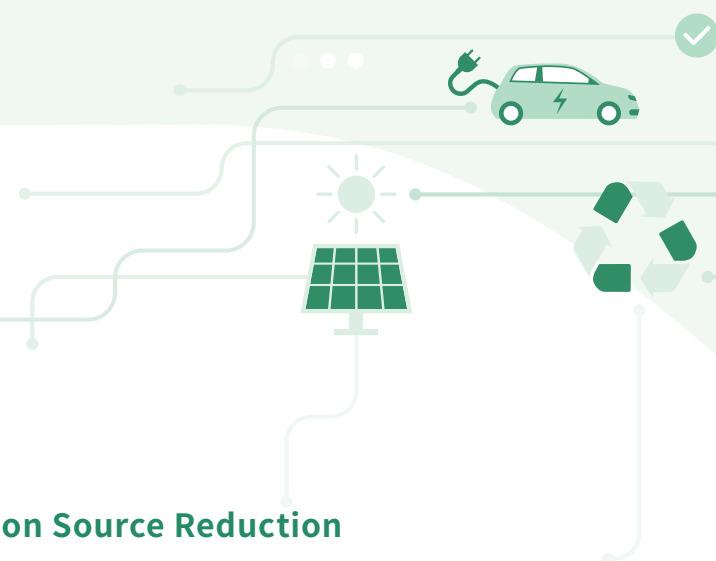


#### New Workplace Project at Headquarters

The New Workplace Project at the headquarters of Hang Seng China, which was officially put into service at the beginning of 2021, adheres to the green, low-carbon and environment-friendly principles in design, construction and daily maintenance of the existing office space at the headquarters. Energy consumption is significantly reduced after the project is put into operation.







## Green Procurement for Emission Source Reduction

Hang Seng China communicates its standards on ESG, health and safety, and ethics to suppliers, and requires them to sign the *Ethical and Environmental Code of Conduct for Suppliers of Goods and Services*. Regarding the environment, suppliers are required to continuously improve their environmental management system and reduce the environmental impact of their operations; regarding the society, suppliers are required to respect the rights and interests of their employees and comply with all relevant laws and regulations in the countries/regions where they operate; regarding health and safety, suppliers are required to comply with local laws and regulations and provide a safe workplace for their employees.

Hang Seng China has set the goal of a net-zero supply chain, and 60% of our procurement spending on CDP (Carbon Disclosure Project) suppliers by 2030. In 2021, Hang Seng China signed long-term strategic cooperation agreements with nine suppliers that have joined the CDP, and required all of our suppliers to provide energy-saving and emission reduction data. Four of our suppliers also submitted long-term energy saving and carbon reduction plans and promised to meet their emission reduction targets.

## Hang Seng China ESG Practicing

### Practicing Green Procurement

In 2021, Hang Seng China took several actions in procurement to gradually practice the concept of green procurement.

- Comprehensive use of a digital procurement platform that integrates procurement demand collection, electronic bidding, contract approval and storage, enabling paperless electronic bidding throughout the process;
- Actively implemented the green procurement requirements for paper products and ensured that

all paper products purchased have been awarded environmental protection certificates (e.g. the FSC certificate), and gradually expanded this to the procurement of other items such as carpet and furniture;

- Recycled and reused consumables such as ink and toner cartridges, which significantly reduced the amount of garbage going to the ocean and landfills;
- Chose professional recycling organizations to recycle office equipment, electronic equipment and furniture to form a closed loop of consumption.

## 2.2 Green Finance to Empower Low-carbon Transformation

In 2021, Hang Seng China empowered low-carbon transformation of traditional industries, supported the development of green industries, and innovated green financial products, injecting enduring capital power for green development.



As of December 31, 2021, Hang Seng China secured a growth of **76.7%** over the same period last year in the balance of green credit



- Hang Seng China completed the first ESG-linked RMB rates derivative
- Hang Seng China launched the first *Green Account* corporate financial service
- Hang Seng China launched the first online green supply chain financing service
- Hang Seng China launched the first *Green Deposit* programme for sustainable development and environmental protection projects



### Green Credit Accelerating Low-carbon Transformation of Traditional Industries

Hang Seng China actively supports enterprises to carry out in-depth, high-quality green and low-carbon transformation and continues to strengthen its green credit services. As of December 31, 2021, Hang Seng China's green credit balance increased by 76.7% compared with last year.

Hang Seng China has formulated the *Green Credit Guidelines of Hang Seng Bank (China) Limited*, covering sustainable development and green credit, organization structure for green credit management, green credit management and monitoring procedures, green credit reporting and information management mechanism, green credit internal control and audit, green credit performance evaluation and other aspects.



## Hang Seng China ESG Practicing

### Empowering Leaders in Traditional Industries to Accelerate Low-carbon Transformation

Cotton textile industry is a high energy-consuming traditional manufacturing industry. The green upgrading of this industry is important for achieving China's '30·60' decarbonization goal. A company, as a global leader in the color textile industry, is actively exploring the path of green and low-carbon development. Hang Seng China has assisted it in the low-carbon transformation through raw material substitution and energy replacement by

offering tailor-made financial innovation products to it. In November 2021, Hang Seng China provided it with a RMB trade loan to support the production and promotion of its green low-carbon products in Anhui and Xinjiang. The company also participated in Hang Seng China's *Green Deposit* programme. This cooperation is one of the important actions of Hang Seng China to support the low-carbon development of enterprises.

### 'Courage' and 'Excellence': Growing Stronger on the Road of Green Finance

Story 1:

"Nowadays, all major banks in China are actively promoting green finance. In fact, we intended to develop such a business long time ago. As early as 10 years ago, when many banks had not yet entered this field on a large scale, we already begun to provide credit for environmental protection and low-carbon enterprises." Head of commercial banking at Hang Seng China's Nanjing Branch said.

Zhao, manager of the Global Banking Department of Hang Seng China, recalled that 10 years ago, a central enterprise group needed loans for its waste incineration power generation and biomass power generation project, but it was very difficult because the concept of green finance was not popular at that time and credit regulation was in progress, but the Nanjing Branch of Hang Seng China still granted loans totaling about RMB0.4 billion after conducting prudent research. "The amount of Shanghai interbank capital demand for loans to environmental protection projects is usually large, and the payback period is long. For credit granting personnel, such a long-term and large-amount credit granting was risky, but we are confident in the concept of green and sustainable development of enterprises and will provide solid financial support."

Story 2:

At the beginning of 2021, in our internal employee training, we set 'year-on-year growth of green credit balance faster than the growth of corporate loans throughout the bank' as one of our strategic development goals. This is a very fast and agile move for a foreign bank. The goal sends a clear signal to the front-line credit staff. Carol, an employee of Hang Seng China Guangzhou Branch, counted that in a 2000-word internal training document, 'green' appeared more than 20 times.

Carol said, "Streamlining the environmental approval process towards some industries and strengthening the inclination of performance assessment... our determination and efforts are really strong". Hang Seng China has further tilted its corporate credit business towards low-carbon industries and enhanced support for green industries. Meanwhile, under the enhanced emission reduction targets, focus is placed on green industries such as renewable energy, new energy vehicles and carbon capture and storage (CCS/BECCS).

Source: Hang Seng China Keeps on its 'Green Way', WeChat official account of China Banking Association, May 17, 2021



### Green Innovation to Explore More Opportunities

Hang Seng China actively practices the concept of ESG. In 2021, we accelerated green finance innovation, and introduced a number of green finance innovations. For instance, we launched the first RMB interest rate derivatives transaction with ESG clauses in China, became the first foreign bank to launch green mortgage business, and launched the first *Green Account* corporate financial service, online green supply chain financing service and *Green Deposit* programme for sustainable development and environmental protection projects.

As the only foreign financial institution among the first batch of initiators, Hang Seng China joined the green and low-carbon development action community of the Yangtze River Delta ecological and green integration development demonstration zone in 2021. We are committed to supporting the overall green transformation of economic and social development by innovating green financial products and services and supporting the development of green industries.

Based on the development needs and characteristics of different regions, industries and enterprises, Hang Seng China continues to innovate and expand diversified and customized green financial solutions, so as to provide solid financial support for enterprises to build a green and sustainable development path, actively promote the green transformation of Chinese enterprises and facilitate high-quality green and sustainable development of the economy and the society.



## Hang Seng China ESG Practicing

### Green Finance Innovation to Empower Green Development

#### Completion of the First RMB Interest Rate Derivatives Transaction with ESG Clauses

In 2021, Hang Seng China closed the first RMB interest rate derivatives transaction with ESG clauses, **becoming the first bank to complete such a transaction**. By introducing ESG clauses into this RMB interest rate derivatives transaction, Hang Seng China helped enterprises to prevent and manage potential interest rate fluctuations, and at the same time, helped enterprises that have met ESG targets to lower their financing costs through positive linkage with their ESG performance in the clauses, enabling them to achieve sustainable and high-quality development through low-carbon, energy-saving and environment-friendly practices.

Hang Seng China completed the first ESG-linked RMB interest rate derivatives transaction jointly with the world's third largest metals trading company, IXM, a

subsidiary of China Molybdenum Co., Ltd. (CMOC). CMOC, an international resource company, is mainly engaged in the mining, processing and smelting of basic and rare metals and mineral trading business. Liang Wei, Director of CMOC's Sustainable Development Executive Committee, said that CMOC has taken ESG management seriously to meet relevant international requirements for mining companies and to address its own risk management needs. This innovative transaction was the best practice in its ESG management. Wang Hao, head of IXM's treasury department in Shanghai, said the ESG-linked RMB interest rate derivatives transaction repaid and reflected the ESG efforts of enterprises.

Source: Hang Seng China Innovating RMB Interest Rate Derivatives Transaction with ESG Clauses, *Economic Information Daily*, April 30, 2021





## Hang Seng China ESG Practicing

### Green Mortgage Making Home 'Greener'

In 2021, Hang Seng China reached an agreement with some green housing projects in the Yangtze River Delta and the Greater Bay Area, **becoming the first foreign bank to offer green mortgage services**. Those green housing projects have met the green building star rating standards and received green building certifications such as the Green Building Design Label Certificate issued by Shanghai Green Building Association, DGNB certification and WELL certification. Through green mortgage, Hang Seng China provides differentiated preferential interest rates on local and foreign currency loans to customers who purchase such green homes through the agreement, aiming to encourage customers to establish a lifestyle of sustainable development and promote the overall green transformation of economic and social development.

### Taking the Lead in Green Supply Chain Financing Service

To help Chinese supply chain enterprises cope with the impact of COVID-19 and climate change, Hang Seng China has increased its investment in supply chain finance, actively promoted the development of supply chain financing business, and **become one of the first foreign banks to provide online green supply chain financing services**. Also, Hang Seng China has continued to enrich the mode of 'supply chain finance + green finance', using the products and services of supply chain finance to increase financial support to green industries and green projects, and provide comprehensive online financing services for SMEs, thus providing support for the recovery of SMEs in the post-pandemic era.

### A Combo of Innovations to Inject Abundant Capital Power to Green Industries

#### Green Account

In 2021, Hang Seng China launched the first *Green Account* corporate financial service. Both customers in green industries and corporate customers participating in green industry-related projects can open a green account and enjoy a waiver of specified service fees. As of December 31, 2021, nearly 20 enterprises from key green segments have participated in the pilot programme

#### Green Deposit

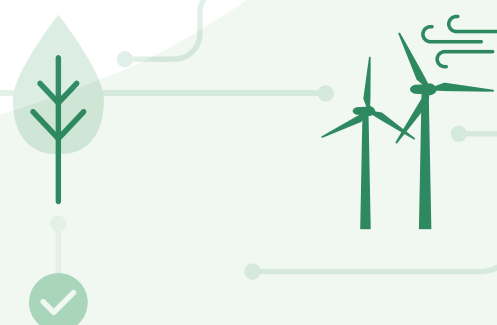
In November 2021, Hang Seng China launched the *Green Deposit* programme, under which the green deposits received will be invested in eligible environmental protection and other green projects in the form of loans, enabling enterprises to grasp the opportunity to invest in sustainable development

#### Special Green Loan

In 2021, Hang Seng China provided a special green loan to a subsidiary of some central enterprise group in support of 'environmental protection and solid waste control project' in local cities, to jointly promote green and sustainable development of urban environmental protection industry in China. To help its financial partners build a 'green' chain from the financing side to the investment side, Hang Seng China will continue to explore innovative green financial tools, assist the low-carbon transformation of the real economy and support the country to achieve the goal of carbon peaking and carbon neutrality in all aspects

## 2.3 Green CSR to Enhance Community Resilience to Climate Change

We have carried out a series of CSR projects, including biodiversity conservation, ecological restoration and community volunteer activities, to enhance community resilience to climate change and build a harmonious better home. Following the launch of the *Seed the Future* project with biodiversity conservation as the core in 2021, the Corporate Responsibility Committee of Hang Seng China has resolved to increase public welfare investment in ecological and environmental protection projects in 2022, and carry out the Blue Carbon ecosystem mangrove protection and restoration project and forest protection and restoration project to protect the ecological environment of the local community, strengthen the ability of the local ecosystem and community to respond to climate change and enhance the carbon sequestration capacity of mangrove, wetland and forest ecosystems. For more information about the projects, please refer to the 'Harmonious Community'.





## Win-win with Customers

# 3

- 3.1 Professional, Considerate and Excellent Wealth Management Service
- 3.2 Serving for the Real Economy to Empower High-Quality Development
- 3.3 Digital Innovation for Industrial Leadership
- 3.4 Creation of Cross-boundary New Financial Channel
- 3.5 Efficient Services to Protect Customer Rights and Interests





## Adherence to ESG Concept to Empower High-quality Development

In March 2021, Hang Seng China released the *ESG Development Strategy*, demonstrating our strong commitment to Chinese markets and society. By incorporating ESG into our business strategy, we aim to deliver better customer experience through fast expansion of digital service channels and model innovation, professional and convenient wealth management service and steadily wealth preservation and appreciation for financial consumers. Meanwhile, we made more efforts to serve the real economy by contributing to supply-side structural reform while offering one-stop diversified financial solutions based on our strong resources, which enables our corporate clients to effectively control risks and seize development opportunities in China. As a result, Hang Seng China have significantly enhanced business and brand recognition, and reaped a CAGR of 27% in net profit during 2019–2021.



**27%**  
CAGR in net profit  
over the past three  
years

### Excellent Wealth Management Services

- Launched the *Signature* Wealth Management Account to serve far-sighted, perceptive customers with exclusively-tailored wealth management services and offers
- 13% year-on-year growth in operating income and 166% year-on-year growth in profit before tax for Wealth & Personal Banking

### Digital Innovation

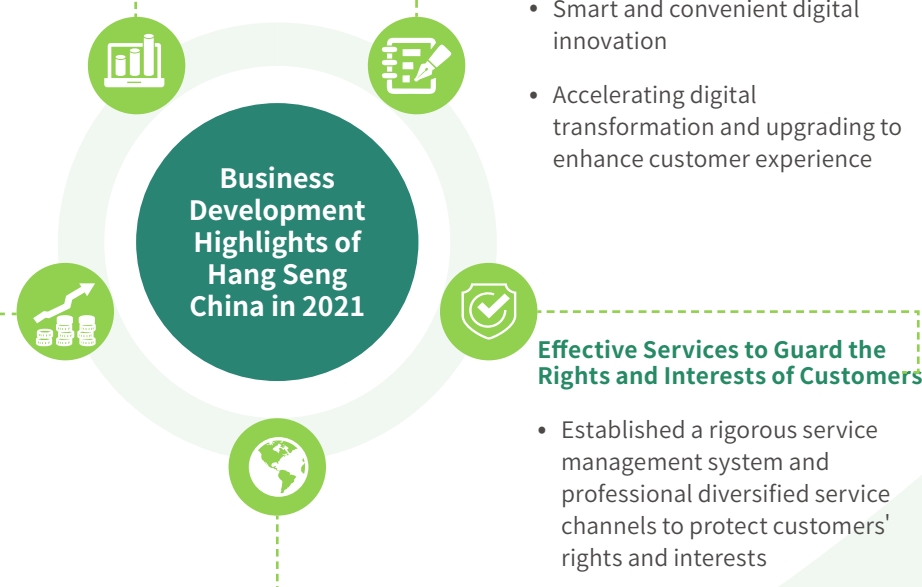
- E-CNY empowering digital transformation of the real economy
- Smart and convenient digital innovation
- Accelerating digital transformation and upgrading to enhance customer experience

### Serving the Real Economy

- 30.5% year-on-year increase in trade finance business
- 20% year-on-year growth in the size of syndicated loans. Ranked first in terms of the number of consortia we led and contract amount among foreign banks in the syndicated loan market in Chinese mainland

### Building Cross-boundary New Channels

- The Cross-boundary Wealth Management Connect business ranked sixth by the amount of cross-boundary remittance and transfer according to statistics of Shenzhen Central Sub-branch of the People's Bank of China in 2021
- Revenue from cross-boundary common customers represented 74% and 67% respectively of the revenue in commercial banking and global banking. The business of foreign exchange settlement and sales on behalf of corporate customers witnessed a growth for three consecutive years



## 3.1 Professional, Considerate and Excellent Wealth Management Service

Taking advantage of its deep insights on Chinese markets and competitively diversified and professional products of the parent bank, Hang Seng China is capable to provide our customers with specialized, convenient and thoughtful one-stop wealth management services. In 2021, we proactively assisted investors in wealth management plans, eased impacts of market volatility with market updates and investment strategies, and develop ESG-related investment portfolio. Hang Seng China was listed among Top 100 Distributors based on public funds capacity in the first quarter, which was released by Asset Management Association of China in May 2021.

The 'Customer First' concept has been engraved into our corporate culture and practiced in our innovative digital services and remarkable customer experience with various online and mobile services particularly for financial consumers. We insist on the core value of financial services and pursue professionalism and efficiency to help our customers maintain and increase their wealth.



Through long-term engagement with our customers and insights into their demands, we provide customized wealth management solutions in line with their different financial preferences.

We launched *Signature* Wealth Management Service in April 2021 for high-net-worth customers. The professional team offers trustworthy wealth management services including exclusive investment consultancy and one-on-one 'Wealth Diagnosis', enabling our customers to optimize their investment portfolios. Meanwhile, our experts with extensive market knowledge and global vision equip our customers with knowledge and gain benefits.

For diversified wealth management demands of the middle class, we have launched *Prestige* Wealth Management Service, providing customers with foreign currency remittance, foreign exchange, innovative investment & wealth management and mortgage loans etc., which allow our customers to allocate their assets globally, manage properties and achieve their wealth goals.

Our *Preferred* Wealth Management Service is designed for customers with primary needs. Characterized by intelligence, convenience and professionalism, it allows customers to select the most appropriate financial and credit products and services, and optimize their wealth portfolio anytime and anywhere.

SIGNATURE 优卓理财

PRESTIGE  
优越理财

PREFERRED  
BANKING 优选理财

## Hang Seng China ESG Practicing

### Foster a Trustworthy Brand with Sincere Services

Liu Yinong, Account Manager of *Signature* Wealth Management Service, recalled the relationship with Mr. Lu started with a competitive foreign currency investment product of Hang Seng China. Besides professional consultancy on wealth management, his team offered a one-on-one 'Wealth Diagnosis' to help him adjust his asset allocation based on analysis and the results. Mr. Lu was impressed by global vision and investment research capabilities of Hang Seng China. Thanks to these professional services, his asset portfolios outperformed other investments in the long term despite risk impacts like trading halts in the U.S. after the COVID-19 outbreak in 2020.

For the future wealth management of Mr. Lu's two sons, Liu Yinong and his team customize a special insurance programme with his sons as beneficiaries. This programme is designed with allocation trigger events such as education advancement, employment, promotion and entrepreneurship, to encourage his sons to strive for success in life. Additionally, the distribution confidentiality clause is thoughtfully stated and included to avoid conflicts within the multi-inheritor family.

Eventually Mr. Lu and his family regard Hang Seng China as their best wealth management partner.

Source: Hang Seng China 88 Years: From 'Customer First' to 'Signature', WeChat official account of Yutopia, January 13, 2022





## 3.2 Serving for the Real Economy to Empower High-Quality Development

As the financing hub and the core of modern economy, financial organizations are committed to sustainable development of the society, which is in return the strong impetus for financial development. In line with China's '30·60' decarbonization goal, Hang Seng China considers implementation of ESG concept as the key point to support the real economy and achieve its quality development. With ESG concept running through our products and services, we devote to providing excellent financial services for China's economic development, covering sustainable financing, supports for the real economy, E-CNY, expansion to cross-boundary financial markets and financial inclusion.

## Bolstering the Development of National Strategic Regions

With China's high-quality economic development, the integrated regional development strategy, especially collaboration of more developed regions, poses a radiation effect and leading importance to the surrounding areas and even the whole country, therefore catching high attention. Regional integration strategies have successively formulated and carried out, including Beijing-Tianjin-Hebei Integrated Development, Guangdong-Hong Kong-Macao Greater Bay Area, and the Yangtze River Delta Integration, which are significantly driving economic development. As an incorporated foreign bank with nationwide presence, Hang Seng China has a deep understanding of significance of regional integration and has established relevant management mechanisms prior to China's rollout of various regional integration development strategies.

The enterprises with multiple branches across the country can enjoy our Packaged Services of an exclusive account manager to satisfy their demands in offshore financing and listing, account coordination, quota distribution and product combination and realize lower communication costs and higher efficiency. This mechanism also betters internal atmosphere, propelling cooperation and adequate information sharing among branches, reducing communication barriers and improving the overall service quality.

### Integration of the Yangtze River Delta

The Yangtze River Delta is a natural powerhouse for Hang Seng China headquartered in Shanghai, contributing to a growth of 78% in business revenue over the past three years.

In June 2021, Hang Seng China joined the green and low-carbon development action community for integration of the Yangtze River Delta, with a view to partake in green development business. In 2020, we offered loan for the 'Chong Kin Group Yangtze River Delta Data Center' project with an effective financing solution timely, which was awarded *the Best Case of Financial Services for the Yangtze River Delta Integration* by Shanghai Banking Association.

In response to *the Outline of the Integrated Regional Development of the Yangtze River Delta*, Hang Seng China took actions to meet related financial service requirements in 2021 by boosting outlets and business growth in the Yangtze River Delta region, including Shanghai, Hangzhou, Nanjing and Ningbo. Based on the characteristics of regional economic development, we focused on special industries and actively promoted research and adjustments of differentiated credit policies by industry.

### Hang Seng China ESG Practicing

#### Support Emerging Industries in the Yangtze River Delta

By virtue of accurate anticipation on tendency of the new energy vehicle industry, Hang Seng China served a leading new energy vehicle company with credit transaction as early as in its nascent development. In recent years, the mutual cooperation further deepened as this client constantly moved forward, e.g. a complete

set of financial services to its domestic and overseas entities through our business team at the headquarters. In May 2021, we initially launched *Green Account* corporate finance service, in which this client was invited as one of pilot partners.

National Account  
Manager System of  
Hang Seng China





### Coordinated Development of Beijing-Tianjin-Hebei Region

Beijing office of Hang Seng Bank was established in 1998, and then turned into Beijing Branch in 2005. In light of business layout, Beijing Branch, Tianjin Branch and Jinan Branch constantly make progress in a linkage and coordinated manner, demonstrating our concentration on the development of the Bohai Rim region. Following national strategy of Beijing-Tianjin-Hebei integrated development, we provide comprehensive financial services to our customers in this region.

#### Hang Seng China ESG Practicing

### Improve Financing Efficiency and Promote Coordinated Development of Beijing, Tianjin and Hebei with Financial Technologies

In July 2021, Hang Seng China entered into the first B2C transaction with a specialized and influential financial lease company established in Beijing in March 2009. Our invoice financing solution for sellers under trade in service addressed financial difficulties of small and scattered lessees, which paved a road of new 'green and efficient' financings.

In this transaction, Hang Seng China leveraged the company's intelligent service platform to technologically empower channels and risk control, enhance verification and investigation of transaction background, and build up a healthy industrial ecosystem integrating finance with technology.

### Develop the Leader Advantage in Syndicated Loans

In recent years, Hang Seng China has actively joined the syndicated loan market in Chinese mainland, and took Mandated Lead Arranger role over 70% of syndicated loan projects HACN joined. This helped HACN to see a CAGR of 29% in terms of syndication asset in past three years. We maintained our position as 1<sup>st</sup> in terms of contract number and contract amount as Mandated Lead Arranger among all foreign banks in domestic syndicated loan market in both 2020 and 2021, reflecting our industrial influence and high recognition of the clients and the peers. More honours include *the Annual Best Institution of Syndicated Loans in Shanghai* for 2019–2020 and *Best Project and Best Lead Bank of Syndicated Loans in Shanghai* of 2019 by the Shanghai Banking Association, *the Best Development Award for Syndicated Loans Business* issued by the *China Banking* magazine for 2020.



#### Hang Seng China ESG Practicing

### Support the Real Economy in the Western Regions with Syndicated Loans

Opened in October 2008, Kunming Branch of Hang Seng China takes the lead to fully operate on RMB and foreign currency business under the incorporated foreign bank and as one of its important strongholds in the southwestern region. Yunnan Construction and Investment Holding Group (YCIH) is a core enterprise in The Belt and Road Initiative (BRI) and pioneers in many overseas construction projects especially in Cambodia and Laos. With a long-term cooperation with YCIH, Kunming Branch offers many solid financial supports, including the syndicated loans as the lead bank in 2018 and another syndicated loans with a contribution of more than RMB2 billion in 2021, which accounted for the largest syndicated loan amount led by a foreign bank for a state-owned enterprise in Yunnan Province with the most participant foreign banks. Since originating from BRI countries, many of these foreign banks served as a bridge for the development of Yunnan state-owned enterprises along the Belt and Road.

Taking advantages of cross-boundary financial services capability, Chengdu Branch of Hang Seng China has proactively engaged in development of the Chengdu-Chongqing Economic Circle. Noteworthy in 2020, it organized a three-year syndicated programme of transferable committed term loans as the only lead bank in Chengdu, totaling at RMB1 billion to fuel liquidity of a leading company of the pharmaceutical distribution industry in western China. This client is a top brass of the pharmaceutical distribution industry in western China, and owns a sales network reaching 31 provinces and cities across China, with Chongqing market as the center and provincial sectors as strategic points.

Source: Hang Seng China Leads Syndicated Loan Again to Facilitate the Development of Yunnan Enterprises, WeChat official account of Hang Seng China, July 16, 2021





## Supporting Businesses Hit by COVID-19 as well as Agriculture, Rural Areas and Farmers

Hang Seng China offers targeted preferential measures to pandemic-impacting industries and enables relevant companies to survive. Upon the outbreak of COVID-19 in 2020, we responded rapidly and announced concession of one-month loan interest payable for approximately RMB10 million. Meanwhile, some preferential policies like 'payment of interest without repayment of principal' were implemented to the corporate clients that faced short-term liquidity problems due to the pandemic.

In 2021, China Banking and Insurance Regulatory Commission proposed to continuously increase credit supports for agriculture, countryside and farmers. Correspondingly Hang Seng China has offered a variety of the last-mile delivery of financial service to farmers and micro-and-small businesses in less developed rural areas, contributing to comprehensive rural revitalization and accelerating modernization of agriculture and the countryside.

### Hang Seng China ESG Practicing

## Gearing up Rural Revitalization through Financial Innovation

With deep comprehension of the importance of agriculture, countryside and farmers (or Three Rural Issues) on China's high-quality development, Hang Seng China has been guiding large capitals into the construction of rural and remote areas in various ways during 36-year exploration of Chinese markets. Thanks to our financial expertise and collaboration with international financial institutions and local organizations of Three Rural Issues, we have gradually built up a 'financial poverty alleviation' model to offer the 'last mile' financial services to farmers in less developed areas and relevant companies, and contribute to comprehensive rural revitalization and faster modernization of agriculture and the countryside.

Entrusted by International Finance Corporation (IFC) of the World Bank Group in 2021, Hang Seng China

successfully provided two loans to a financial firm engaged in serving micro-and-small rural businesses. Partially applied to US\$75 million of IFC-led Anti-pandemic Liquidity Loans programme, these loans benefited farmers and households who lacked of capitals due to COVID-19 pandemic in buying basic materials and equipment to maintain or expand their production and operations. As the result, achievements of poverty eradication have been strengthened since these farmers gain steady income based on the loans while post-pandemic recovery and stabilization of agricultural production can be guaranteed. We will continue to work closely with the client to enable farmers' individual business in agriculture or handicrafts through market-oriented operating pattern and professional trainings, further increasing their income and realizing rural revitalization.

## 3.3 Digital Innovation for Industrial Leadership

### Empowering Digital Transformation of the Real Economy with E-CNY

E-CNY is a key area of future financial innovation in China. *The Fintech Development Plan (2022–2025)* issued by the People's Bank of China emphasizes the requirements to uphold innovation-driven development, and promote high-quality digital transformation of financial industry, financially advancing China's new development pattern.

Since December 2021, Hang Seng China has partnered with China Construction Bank to launch a full range of E-CNY services for corporate clients, and several pilot projects are in operation with prospective businesses, covering retail, catering, education, property management and other payment scenarios. The *E-CNY Wallet* is full-featured to support conversion, transfer and balance inquiry, leading to efficient payment and settlement and sound digital transformation of the real economy.



## Hang Seng China ESG Practicing

### E-CNY Pushes Combination of Digital Finance and Business Scenarios

In recent years, there has been growing needs for corporate E-CNY services in many industries with mobile payment scenarios, such as retail, catering, education, and property management. Take the catering industry as an example. A restaurant chain group has hundreds of stores across the country. In daily operations, it's bothered by reconciling business funds and fund sources of all stores one by one. Hang Seng China customized a comprehensive solution of 'virtual account + mobile collection' for this group, which enabled it to easily reconcile virtual account statements with store names and collection amounts and effectively improved its financial management efficiency. On this basis, Hang Seng China offered the corporate E-CNY service, which further enriched corporate payment scenarios, satisfied the need of restaurant customers to pay through different channels, realized electronic cash settlement, and effectively enhanced the receipt, payment and settlement efficiency of the group. In addition, the group

could manage E-CNY in its wallet through our digital currency service platform, including functions like balance inquiry and funds transfer between the wallet and its account at Hang Seng Bank, which improved the efficiency of working capital management. By combining one solution with multiple products and services, the bank optimized the experience of corporate customers and achieved a one-stop solution for the management of corporate financial operations.

Hang Seng China pushes combination of digital finance and business scenarios to serve the general public and empower the real economy.

Source: Review on Finance in 2021: Digital Finance Bids Farewell to 'Barbaric Growth', What's the Next Step? Xinhua Finance, January 14, 2022



### Creating Intelligent and Convenient Services through Digital Innovation

Hang Seng China proactively develops digital products and services and builds e-banking channels. As early as 2018, we used MVTM tablet terminals for data entry of new account opening business in our outlets, which significantly improved productivity. With rich insights into customers' demands and business requirements of each department, we have furthered innovation of digital products and services to provide our customers with first-class wealth management and comprehensive cross-boundary financial solutions.

By accelerating digital transformation and upgrade in 2021, Hang Seng China continued to serve the customers with professional and excellent financial portfolios, including improved online services and functions.

#### Digitalization Empowers Professional and Smarter Wealth Management Decisions

We leverage big data technology to update MVTM terminals, optimize the account opening process, and develop the intelligent investment advisor, providing our customers with professional, convenient and visualized digital wealth solutions. Additionally, the smart fund selection and comparison allow them to become fund experts and select popular fund products anytime, anywhere via mobile phone

#### Mobile Banking Works as a Portable Financial Supermarket

Our constantly improved mobile banking provides customers with access to excellent online services, including account management, cross-boundary payment, financial product purchase, electronic statement and transaction notification, personal information update, and remote Type II account opening

### Accelerating Digital Transformation and Improving Customer Experience

Hang Seng China further expands digital channels, optimizes online & offline business layout, and accelerates product R&D and innovation to improve customer experience and provide quality services.



Interface of WeChat official account of Hang Seng China

- We have collaborated with Ali Cloud to enhance digitalized and safe bank-enterprise services. As a foreign bank, we initially integrate bank-enterprise interlink into DingTalk, opening a convenient online Financial Service Window for all of businesses
- *Hang Seng SmartHub* App allows corporate and personal customers to experience more convenient services
- Diversified fund management products and service solutions are designed for corporate clients. 80% of transactions were processed automatically online in 2021. The volume of electronic transaction exceeded 840,000 as of December 2021
- Mobile service experience is continuously optimized for individual customers, achieving 88% of online transactions and the growth of mobile banking transactions by 47% compared with last year





### 3.4 Creation of Cross-boundary New Financial Channel

Subsidiary to Hang Seng Bank, the largest native bank in Hong Kong, Hang Seng China prioritizes cross-boundary transaction as one of the major business segments. At the stage of China's deep financial opening-up, we look forward to bridging the Mainland of China and the global financial market, promoting collaboration and innovation, and offering efficient and professional cross-boundary financial services to both domestic and foreign customers.

#### Initially Operating on Cross-boundary Wealth Management Connect to Interconnect the Greater Bay Area

Combining financial strengths of Hong Kong and mainland, Hang Seng China has launched exceptional asset allocation solutions rooting in diversified products of our parent bank to meet various cross-boundary investment demands. In October 2021, Hang Seng China was approved as one of the first batch of foreign banks to run business of *Cross-boundary Wealth Management Connect* under both Northbound Scheme and the Southbound Scheme.



#### Hang Seng China ESG Practicing

#### Guarantee Sound Wealth Management across the Greater Bay Area

In 2021, Hang Seng China was officially approved to pilot *Cross-boundary Wealth Management Connect* and worked with Hang Seng Bank to provide over 140 relevant products to customers in the Greater Bay Area. Hang Seng China becomes one of the first batch of banks to offer products under Cross-boundary Wealth Management Connect Scheme. Because of overseas collaboration with our parent bank, outstanding product selection and rich experience in cross-boundary

transaction, we are capable to offer customer-oriented products and excellent financial services. In October, our *Cross-boundary Wealth Management Connect* APP officially rolled out on UnionPay Quick Pass, making cross-boundary investments more convenient, efficient and accessible. By the end of December 2021, Hang Seng China prevailed over other pilot banks in terms of cross-boundary remittance and transfer amount.

#### Serving globally with One-stop Cross-boundary Financial Solutions

With our unique advantages in cross-boundary finance service, Hang Seng China has offered one-stop cross-boundary financial solutions to corporate clients in more a connected, practical and efficient manner, covering trade finance, cross-boundary bank loans and cross-boundary financial products. These solutions strongly back up global expansion strategies of multinational conglomerates and 'going-global' Chinese enterprises by helping them identify and predict risks in offshore markets.

In February 2021, Hang Seng China completes its first unfunded risk participation deal to further empower real economy; and launched *3-hour Express Remittance by Hang Seng in Hong Kong* in the Greater Bay Area. In November, *Overseas Foreign Currency Loans* became available alongside the existing *RMB Overseas Loans* to meet customers' diversified demands on financing in different currencies. In 2021, cross-boundary shared customers contributed to 74% and 67% of the total revenue in commercial banking and global banking respectively while the foreign exchange settlement and sale business for corporate clients increased for three consecutive years.

#### Hang Seng China ESG Practicing

#### Innovative Cross-boundary Capital Management Solutions Facilitate the Growth of Multinational Conglomerates

A leading fine chemistry enterprise in China was faced with a series of challenges in its cross-boundary operations. In 2020, Hang Seng Bank led the formation of an overseas consortium to fund this enterprise's construction and equipment procurement for an onshore infrastructure project. However, it was troubled with cumbersome formalities in external debt registration, onshore and offshore capital management, and management of cross-currency transactions. To address these problems, Hang Seng Bank developed the solution

of offshore multi-currency capital pool complemented by facilitation of foreign exchange receipts and payments for capital projects, interest-linked optimized products, and unified e-banking platform services at home and abroad. In May 2021, Hang Seng China, together with this enterprise, was granted the *Best Liquidity Management and Investments Solution* in the 2020/2021 *The Asset Triple A Treasury, Trade, Sustainable Supply Chain & Risk Management Awards*.



### 3.5 Efficient Services to Protect Customer Rights and Interests

Putting the customers first, Hang Seng China has established a rigorous service management system as well as professional and diversified service channels to ensure excellent services.

#### Ensuring Customer-oriented Excellent Services

Various customer feedback and voice channels are set up, including 24-hour service hotline, e-mail, mobile banking, Internet banking and suggestion boxes.

We have organized Customer Complaint Committee consisting of senior executives, who are responsible to track industrial complaint trends, supervise relevant departments to effectively handle and prevent similar complaints.

#### Safeguarding Customer Rights & Interests with Appropriate Mechanisms

To effectively carry out the strategies and policies of protecting customer rights and interests, the Risk and Consumer Rights/Interests Protection Committee has been set up under the Board of Directors so as to oversee senior executives and the departments in charge to fully, timely and effectively protect our customers. Importantly the Board of Directors assume ultimate responsibility in this process. Meanwhile, the subsidiary Working Committee of Customer Rights/Interests Protection embarks on implementation of each task and achievement of protection objectives.

Adhering to the prudent operation principle, we have formulated business systems and procedures in accordance with regulatory policies and rules, to standardize our marketing activities and strengthen protection of customer rights and interests. A complete product management system has been built up in terms of organizational structure and institutional procedures to clarify product specifications and require reporting and record filing before any new product is released.

To enhance our employees' awareness on customer rights' and interests' protection, we have arranged 11 online training courses on product specifications by 2021, with 2,479 participants and 2,237.75 hours.

Hang Seng China was evaluated as Grade A for protecting the customer rights and interests by Shanghai Branch of the People's Bank of China, demonstrating high recognition from the regulatory authorities.



Training courses with  
**2,479** participants



**2,237.75** hours  
of training courses

### Popularizing Financial Knowledge via All Channels

Under normalization of COVID-19 prevention and control in 2021, Hang Seng China actively explored and implemented omnichannel popularization of financial knowledge with new carriers, channels and patterns. Particularly online and new media communication technologies were highlighted to deepen the influence of financial publicity activities. In September, responding to advocacy of relevant regulators, we launched a bank-wide campaign against telecom fraud to advise and educate employees, customers, and the public by various means.



Hang Seng China Fuzhou Branch organizes *Financial Knowledge to Enter Thousands of Homes* activity to popularize anti-gambling and anti-fraud knowledge at Qingcheng Community

Hangzhou Branch explains financial knowledge and distributes financial knowledge brochures to the public at the 2021 *Illegal Fund Raising Awareness Month* activity

### Advocating Risk Neutrality and Enhancing Customers' Risk Management

Hang Seng China provides 'stewardship' wealth management services for corporate customers, including knowledge of their appeals by phone and onsite visits; retrospective analysis to help businesses grasp the relationship among risk neutrality, exchange rate hedging and financial indicators; advises on reasonable hedging systems and strategies; and individualized and differentiated exchange rate hedging products or portfolios to timely evade foreign exchange risks. For example, we offer *MaxiInterest Investment Deposit*, a special structured deposit with minimum risks, customize the lock-exchange rate solutions by combining forward foreign exchange trading with option structures; and provide pending order mode and individualized spread setting, etc.



# Harmonious Community







## 4

- 4.1 *Seed the Future* to Protect Ecosystem
- 4.2 *Revitalize the Future* to Empower the Countryside
- 4.3 *Enlighten the Future* to Empower Youth Future Skills
- 4.4 Community Volunteering for a Better Future





## Hang Seng China CSR Strategy

|                    |  |  |   |  |  |  |  |  |
|--------------------|--|--|---|--|--|--|--|--|
| Concept            | Sustainable CSR Projects to Commit Social Responsibility   |  | Continuous Empowerment to Stimulate Momentum  |  | Innovation and Collaboration on Eco-environmental Conservation   |  | Volunteer Service to Contribute Community  |  |
| Focus              | Climate Change   |  | Rural Revitalization  |  | Future Skills  |  | Sustainable Community Development  |  |
| SDGs               |    |  |   |  |   |  |    |  |
| Programmes         | <div>种·未来</div> <div>Seed the Future</div>   |  | <div>兴·未来</div> <div>Revitalize the Future</div>  |  | <div>启·未来</div> <div>Enlighten the Future</div>  |  |  |  |
| Action Direction   | <ul style="list-style-type: none"><li>● Implement diversified means for biodiversity conservation</li><li>● Restore and plant 500 mu (33.33 hectares) of forest and 100 mu (6.66 hectares) of mangrove vegetation, with an expected carbon sequestration of 7,550 tons, to enhance community resilience to climate change</li><li>● Promote coordinated and sustainable development of ecological protection and community economy</li></ul> |  | <ul style="list-style-type: none"><li>● Empower rural youths and promote employment and entrepreneurship</li><li>● Empower new-type rural collective economic organization demonstration cooperatives</li><li>● Create a digital rural community service platform</li></ul> |  | <ul style="list-style-type: none"><li>● Improve the financial literacy of youths</li><li>● Improve the future skills of youths</li><li>● Empower the development of vocational education</li></ul> |  |  |  |
| Volunteer Services | Stimulate employees' enthusiasm towards public welfare and enhance volunteering ability; join hands with the community to carry out diversified community services and build a harmonious community  |  |   |  |  |  |  |  |

Hang Seng China actively fulfils the corporate social responsibilities and promotes green and sustainable development, with a focus on ecological protection to respond climate change, rural revitalization, youth empowerment and sustainable community development. We have launched *Future-themed* CSR projects, including *Seed the Future* to protect and restore forests and mangroves, conserve biodiversity; *Revitalize the Future* to cultivate the talents and enable rural collective economic organization development in the countryside; and *Enlighten the Future* to improve financial literacy and the future skills of the youngsters.

Over the past five years, Hang Seng China has invested nearly RMB14 million in these *Future-themed* CSR projects to promote sustainable and harmonious development of communities. In January 2020, we made RMB1.5 million donation to combat COVID-19. By 2021, more than 5,000 people benefited from our CSR projects.

Looking to 2022, Hang Seng China will make more donation in ecological protection and rural revitalization. Following the *Seed the Future* project in 2021, our Corporate Responsibility Committee decided to expand CSR donation to for ecological protection, including mangrove conservation & restoration for blue carbon ecosystems and forest restoration and protection project. The projects protect local ecological environment, enhance ecosystems and community resilience to climate change. These projects will strengthen carbon sequestration of mangrove, wetland and forest ecosystems, expected to sequester 7,550 tons of carbon dioxide in the next 30–40 years<sup>1</sup>.

Notes:

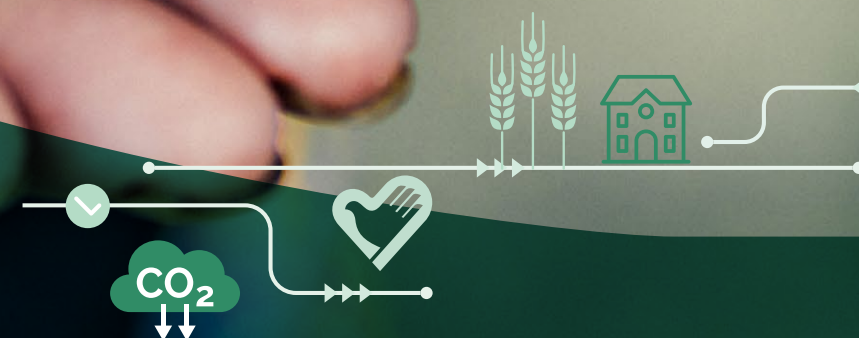
<sup>1</sup> The carbon fixation measurement data of Hang Seng China's environmental projects is provided by the SEE Foundation



## 4.1 *Seed the Future* to Protect Ecosystem

Climate change is a global challenge for all humanity, it requires joint efforts of all enterprises and individuals to protect our planet. Hang Seng China actively engage in biodiversity conservation, ecological protection & restoration, and environmental volunteering in the community, so as to improve ecological environment, strengthen response to climate change and raise public awareness on environmental protection.

Hang Seng China *Seed the Future* project conserves traditional purple rice germplasm resources of Hani people in Mojiang, Yunnan Province





## Seed the Future — Hang Seng China Biodiversity Conservation and Sustainable Utilization Project

In June 2021, Hang Seng China, as the first foreign financial institution in China that is concerned about the conservation of traditional germplasm resources, initially devoted to conservation and utilization of traditional agricultural germplasm resources and launched *Seed the Future* project, to explore sound methods to protect traditional agricultural germplasm resources and biodiversity in Yunnan Province, promote green and sustainable development and enhance community resilience to climate change.

Under this project, the *Seed the Future — Yunnan Mojiang Purple Rice Germplasm Conservation Demonstration Base* set up was in Gui Neng Village, Mojiang Hani Autonomous County, Pu'er, Yunnan Province. The project empowers local farmers and encourages local community to protect Mojiang's traditional purple rice, germplasm resources and traditional Hani culture. The project figures out community-based and market-oriented conservation models, by promoting sustainable utilization to conserve biodiversity and green ecological development.

Since then, villagers have increased awareness and capability in biodiversity conservation and ecosystem restoration. Key farmers from the local community organization (The Haoni Traditional Purple Rice Collective Economic Organization) take a leading role and work with the communities to expand traditional purple rice pilot farming area by nearly 30%, with average yield up by 20% and the total capacity of over 20,000 kg. The local farmers' incomes are increased.



Villagers of Gui Neng Village, Mojiang Hani Autonomous County, Pu'er, Yunnan Province harvest purple rice



*Seed the Future* project empowers local farmers in the Hani community, explores community-based conservation models for Mojiang's traditional purple rice resources, protects biodiversity, and promotes ecological development

*Seed the Future* Yunnan Mojiang Purple Rice Germplasm Conservation Demonstration Base

This project is one of our major actions in biodiversity conservation and response to climate change. With the COP15 held in Yunnan in 2021 and the white paper *Biodiversity Conservation in China* released by the State Council, we launched *Seed the Future* project timely, and participated in the *Declaration of Chinese Financial Institutions on Biodiversity Conservation* initiated by the China Banking Association, so as to financially support eco-friendly, sustainable, green and inclusive development, telling a good Chinese story on green and sustainable development journey. This project is designed to explore feasible and effective methods for germplasm conservation, enhance sustainable and inclusive economic and social development, and contribute to biodiversity conservation and green development of the society, economy and ecosystem.

### Hang Seng China ESG Practicing

#### *Seed the Future* — Seeds Breed Harvests and the Sustainable Future Growth

This article is awarded by China Banking Association with *Good News for Financial Institutions to Protect People's Livelihood*, 2021.

Source: Seeds Breed Harvests and the Sustainable Future Growth, WeChat official account of Hang Seng China, September 30, 2021



#### Sis Purple Rice Comes Here

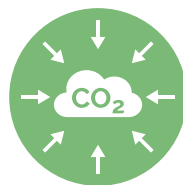
Source: Sis Purple Rice Comes Here, WeChat official account of Hang Seng China, November 12, 2021





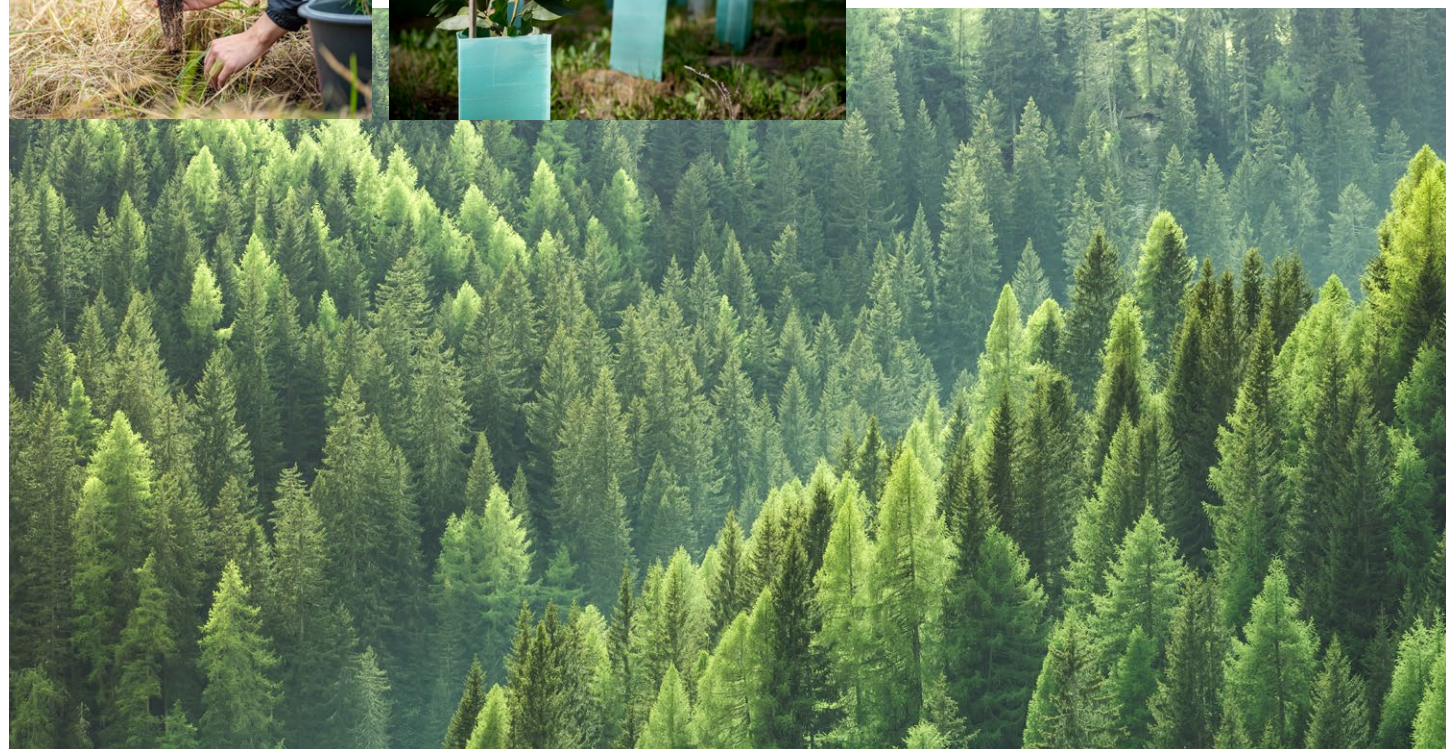
## Seed the Future — Hang Seng China Forest Project

In 2022, Hang Seng China plans to carry out a forest conservation and restoration project in Sichuan Province. We will plant of 28,750 firs and maples on the land of 500 mu (33.33 hectares) to restore rare and endangered species habitat and other wildlife. The project will improve the living environment of wild animals, protect local biodiversity and enhance local ecosystem and communities to adapt to climate change. Moreover, the feasible co-development between wildlife and habitat conservation and community economy will be deeply explored to support organic and consistent advancement of the society, ecosystem and economy. It's anticipated that this project would result in about 4,750 tons of carbon sequestration in 30 years<sup>1</sup>.



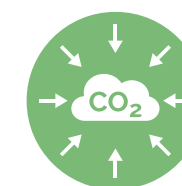
It's anticipated that this project would result in about

**4,750** tons  
of carbon sequestration in 30 years



## Seed the Future – Hang Seng China Mangrove Conservation & Restoration Project for Blue Carbon Ecosystem

In 2022, Hang Seng China will initiate 3-year blue carbon ecosystem conservation for coastal wetlands in Fujian Province. This project will adopt Nature-based Solutions (NbS) to restore and plant mangroves on 100 mu (6.66 hectares) area, recover coastal wetland mangrove ecosystem, protect marine ecosystem and biodiversity, explore community engagement in mangrove conservation, help the residents respond to climate change and natural disasters, and promote coordinated and sustainable development of ecological conservation and community economy. The project is expected to sequester about 2,800 tons of carbon dioxide in 40 years<sup>1</sup>.



The project is expected to sequester about

**2,800** tons  
of carbon dioxide in 40 years

Note:

<sup>1</sup> This estimate is made by the SEE Foundation with data from Zhanjiang Mangrove Forestation Project in Zhanjiang Mangrove National Nature Reserve in Guangdong Province



## 4.2 Revitalize the Future to Empower the Countryside

As 2020 was the concluding year of China's poverty alleviation, we launched the first *Love Guardians — Special Actions for Youth Employment Project* in less-developed areas in Shanxi Province. This project supported 120 young people from low-income families in Pinglu and Wanrong counties of Yuncheng who barely got jobs due to the COVID-19 pandemic. We provided employment training courses including career development & planning trainings, financial literacy and livestreaming marketing of agricultural products, to improve their future skills and create more career channels.

### Hang Seng China ESG Practicing

#### Love Guardians for Income Growth and Bright Life

Source: Love Guardians for Income Growth and Bright Life, WeChat official account of Hang Seng China, November 27, 2020



After our supports to China poverty alleviation in 2020, we devoted to rural revitalization in 2021 with *Love Guardians — Revitalize the Future Project* to improve rural talents' future skills for sustainable rural development and common prosperity. This project benefited 50 low-income unemployed youths from Muli Tibetan Autonomous County, Liangshan Yi Autonomous Prefecture, Sichuan Province, and from Daying County, Suining, Sichuan Province in skills trainings and follow-up coaching, promoted multi-channel employment and entrepreneurship, facilitated sustainable development of local specialty industries. Moreover, the trainings on rural revitalization and governance were provided to 40 local talents from 20 villages in Wenxi County, Yuncheng, Shanxi Province to improve grassroots management and cultivate bellwethers of villages and industries.



Youths from Muli Tibetan Autonomous County, Liangshan Yi Autonomous Prefecture, Sichuan Province participate in an employment skill training



Youths supported by *Revitalize the Future* project live-stream on the Chinese Farmers' Harvest Festival



Hang Seng China volunteers give a financial literacy lecture to *Revitalize the Future* participants



### 4.3 Enlighten the Future to Empower Youth Future Skills

Since 2016, Hang Seng China has carried out the Youth Financial Literacy programme for Chinese Youths for six consecutive years, which widely and deeply improve young people's financial literacy by innovative practice courses, teacher trainings and financial literacy competitions. Till now our employees have voluntarily lectured students and teachers in over 32 high-schools in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Hangzhou and Xi'an, involving wealth management classes, Job Shadow Day, financial lectures, financial literacy competitions and financial literacy trainings for teachers.

In 2021, Hang Seng China launched the *Enlighten the Future* — Hang Seng China 2021 Vocational School Financial Literacy programme in vocational high schools in Shanghai and Guangzhou, offering financial literacy courses, debate competitions, teacher seminars for 280 vocational school students and teachers, to empower vocational education, improve financial literacy and future skills for youths.

#### Hang Seng China ESG Practicing

##### Dig into the Youth Financial Literacy Practices for Six Years, Explore Education Model in Vocational School

Source: Dig into the Youth Financial Literacy Practices for Six Years, Explore Education Model in Vocational School, WeChat official account of Hang Seng China, October 20, 2021



By the end of 2021, the *Enlighten the Future* — Hang Seng China Youth Financial Literacy Project has reached nearly 5,000 students and teachers from 32 schools in 7 cities across China. During the COVID-19 outbreak in 2020, we also launched online *Hang Seng China Youth Financial Literacy FM* for the youths nationwide, to comprehensively enhance their financial literacy skills for sustainable development. Currently this podcast programme has reached more than 100,000 audiences.



Hang Seng China Youth Financial Literacy FM



Lizhi FM



*Enlighten the Future* project conducts a financial literacy camp at Shanghai Zhonghua Vocational School



Hang Seng China volunteers give a financial literacy lecture to students of Chengdu Yulin High School



Students of Guangzhou Vocational School of Finance and Business participate in Hang Seng China 2021 Vocational School Financial Literacy Creative Thinking Competition





## Hang Seng China ESG Practicing

### Enlightens the Neglected — Quotes from Young Students, Teachers and Volunteers

“

The Financial Literacy Competition was a great experience for us, we learned from the scratch and finally gained some fruits. We witnessed many efforts of Hang Seng China in this regard and noticed deficiency of Chinese youth's basic financial education. This event gave us a glimpse of what finance is about. There is still a long way to go and a lot to learn. In addition, we understand that we have the responsibility to help our classmates learn more about finance, and make progress together. The future is promising. Let's work hard together!

— Liu, a student in Chengdu Shude High School

*Enlighten the Future* — Hang Seng China 2021 Vocational School Financial Literacy Project gave vocational school students the opportunity to broaden our horizons, enrich our knowledge and open our minds. And I can deeply understand finance. I believe that with excellent professional skills and financial literacy, we secondary vocational school students can also build a big world of our own in the workplace in the future!

— Wen, a student in Guangzhou Vocational School of Finance and Business

We only introduce basic concepts to our students, but they can vividly explain financial theories and cases. Thanks to their industrial experiences, so very popular among the students. In the financial literacy classes, Hang Seng China volunteers enabled our students to learn financial knowledge from their daily life, and then develop strong interest in money management and rational cognition.

— Xie Ying, a teacher from Dongchang High School attached to East China Normal University



Students participate in the creative thinking competition to improve their financial literacy

It's a myth that vocational school students are always ignored in the society. This project is designed to help them crush this prejudice and become new stars in the future.

—Wang Ying, Head of the Compliance Department of Hang Seng China



I was honoured to give a financial literacy course to the students as a volunteer, which presents our responsibility and corporate responsibility. I can tell students' admiration and enthusiasm when I returned to the classroom and spread my financial knowledge and wealth management ideas. Through the engagement with teachers and students, we also showed our banker image, regained my original career aspiration and open a window for the students to know about the financial industry.

—Xie Li, Technology and Operation Innovation Department of the Head Office



Hang Seng China volunteer Xie Li participates in *Enlighten the Future* project for several times, giving financial literacy lectures to young students

”



## 4.4 Community Volunteering for a Better Future

Insisting on the sustainable development concept, Hang Seng China attaches high attention to public demands and co-development with the society. We always encourage and support our employees to attend community volunteering and give back to the community. Each employee is entitled to 2 days of volunteer leave every year and the volunteer services totaled up to 1,136 hours in the past 5 years.

Employees of Shanghai Branch and their family members participate in green citizens community activity to protect urban wetland

### Hang Seng China ESG Practicing

#### Volunteer to Build a Green Community

In 2021, Hang Seng China regularly organized trainings and volunteer activities on ecological protection in the communities, increased our employees' awareness on green development and advocated them to protect environment and practice green lifestyle.

In April, 27 employees in Shenzhen Branch and their family members took part in a CSR activity of beach cleaning in Shenzhen Bay Park, collecting nearly 10 kg of garbage.

In May, our employees in Shanghai Branch and Beijing Branch participated in biodiversity conservation actions with their families to protect urban wetlands together.

In June, employees of Kunming Branch and their family members planted 30 trees in a tree planting activity to build a *Hang Seng Bank Grove*, which is expected to reduce carbon emissions by more than 1 ton. Employees of Shanghai Branch participated in World Environment Day activity to build a beautiful home where we live in harmony with nature.

Volunteers of Shenzhen Branch participate in a CSR activity of beach cleaning



Volunteers of Beijing Branch and their family members participate in wetland biodiversity conservation activity



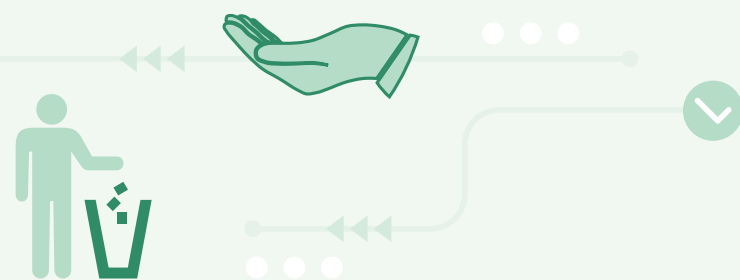
Volunteers of Kunming Branch and their family members jointly build a *Hang Seng Bank Grove*



# Talent Empowerment

# 5

- 5.1 Persisting for Win-win with Fair and Diversified Culture
- 5.2 Sustainable Workplace to Stimulate Employees' Potentials
- 5.3 Vibrant and Healthy Workplace





Hang Seng China adheres to a people-oriented sustainability path, we value every employee and is committed to providing competitive remuneration and benefits, creating a positive and open working environment, fostering a fair and effective performance management culture, focusing on attracting and retaining talent, creating enriching experiences that enable growth for both present and future, and joining heads with our employees on the new journey of sustainable development.



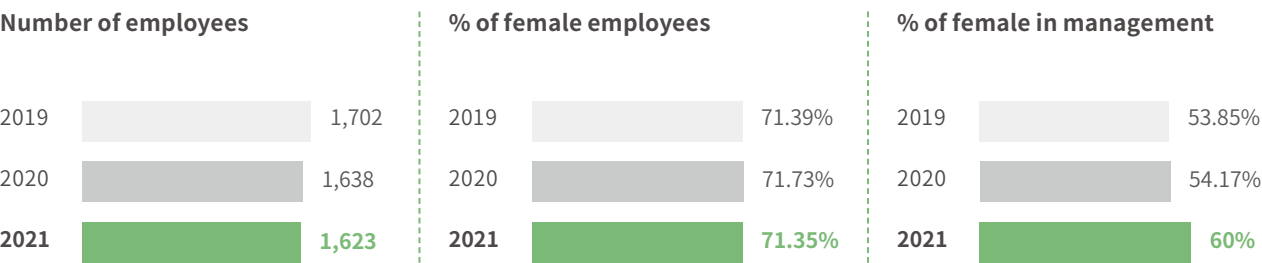
## 5.1 Persisting for Win-win with Fair and Diversified Culture

Hang Seng China adheres to the values of 'respect for differences, responsibility, dedication and persistence' and strives to create a diverse, equal and vibrant workplace that respects all employees. On top of compliance with labor and employment regulations, we provide our employees with competitive remuneration and benefits, build diversified communication channels for their appeals, and create a harmonious working atmosphere.



Diversity in Workplace for Success

Our recruitment strategy features right time, the most effective channels and of the most appropriate evaluation to find, attract, select and appoint high-quality candidates. Furthermore, the competitive remuneration, professional skill trainings and excellent performance management are solid foundation for talent attraction. Cultural diversity, inclusiveness and meritocracy are the principles guiding our recruitment process, thus eliminating bias and discrimination. By the end of 2021, Hang Seng China has 1,623 employees, including 71.35% female employees, 60% female employees in management.



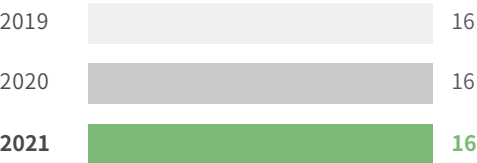
Hang Seng China believes equal employment relationship is the cornerstone of a good workplace environment. Relevant laws and regulations are strictly observed to ensure standard, open and transparent procedures on recruitment, admission, work and dimission; prohibit illegal employment behaviors such as child labor and forced labor; and eliminate non-compliant behaviors which infringe on employees' legitimate rights and interests and cause labor disputes. In 2021, Hang Seng China maintained 100% of labor contract signing rate, social insurance coverage rate and provident fund coverage rate. Employees enjoy paid annual leave in accordance with national regulations.

As talents are fundamental to our development, it's our responsibility to cultivate talents and strive to build a platform for the employees' self-development. The *Skills for the Future* programme is underway to help them grasp future-oriented skills in individual ability, data information, digitalization and sustainability.

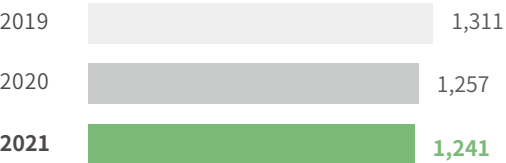
Hang Seng China strongly advocates talent optimization and localization. In 2021, we furthered the talent cultivation and retention mechanism to explore internal talents, implement talent development plans at different levels to develop executives and business successors, and create a stimulative workplace for the talents to develop potentials and rapidly grow up. In 2021, 264 new employees joined in Hang Seng China, reaching 16.41% of the employment rate. We were honoured with a bunch of rewards, such as *Best Employer and Campus Recruitment Case Award, Top 50 Employers in Shanghai and Favourite Employers among Chinese University Students* for two consecutive years.

Education level

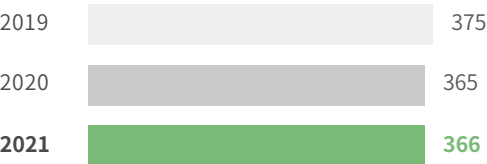
High school/secondary technical school/secondary specialized school or lower



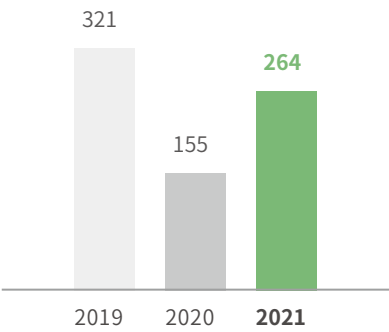
Bachelor (including junior college diploma)



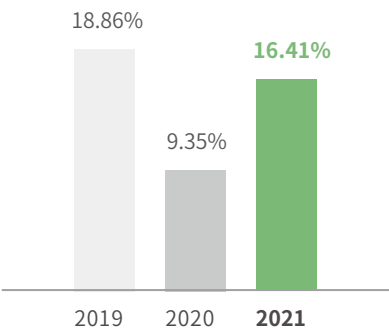
Master and above



New employees



Employment rate





Positive Incentives with Remuneration and Benefits

Hang Seng China boasts a close relationship between remuneration management and business development strategy. Our remuneration policy aims to ensure fair, motivating and competitive remuneration; coordinate short-term and long-term incentives; promote sound operation and sustainable development; facilitate talent development; and attract, motivate and retain talents.

For a better work-life balance, our employees enjoy both legal holidays and a variety of flexible policies in flexible working hours, personal time, unpaid leave and suspension from duty without pay etc. The employees can apply for leaves according to their work and business requirements as well as specific situation to balance work and life. In 2021, an extra day-off was arranged to all employees in appreciation of their hard work during the pandemic.

Smooth Communication with Employees

Hang Seng China encourages humanized and transparent management with multiple channels for active communication with employees and timely response to their concerns. Relevant systems and processes are constantly improved to strengthen employees' understanding and recognition of corporate strategies, business priorities, culture and values, and finally enhance their confidence and trust. Our internal communication channels and mechanisms include:

- Employee satisfaction survey which conducted twice a year
- Town Hall meeting where Chief Executive of Hang Seng China and the management team update the progress of business development with Q&A section
- Voice Listening — an Intranet interactivity for employees to leave messages and timely get replies and suggestions from the management team and departments
- You Matter — the face-to-face communication time for Chief Executive of Hang Seng Bank and department heads to talk with staff
- CE Letter which allows Chief Executive of Hang Seng Bank to communicate with the employees via email aperiodically

In 2021, Hang Seng China conducted three staff meetings and two employee satisfaction surveys. And the surveys in the second half of the year had a participation rate of 82%, showing high performance in internal communication and significant improvements in all of seven indicators compared with the first half of 2021.

5.2 Sustainable Workplace to Stimulate Employees' Potentials

With a focus on talent development, Hang Seng China is committed to helping employees tap their potential for long-term growth. A series of leadership courses and professional trainings are offered to the employees to gain knowledge and skills in management or professional development, and make continuous progress and growth. Internal recruitment is prioritized to select or promote appropriate employees, providing them with more opportunities and broader development space.

Continuous Learning and Growth

Due to a complete set of training and cultivation system, our employees in different development paths and stages can pick up required learning resources and courses for individual growth and career development. 39,962 employees took part in trainings in 2021, totaling at 35,901 hours. In order to promote talent cultivation comprehensively and effectively, Hang Seng China take up the following measures:

Degreed education platform with abundant and various learning resources around the world: recommends learning resources and paths to the employees based on their needs and abilities

Skills for the Future programme: includes personal skills, data skills, digital skills and sustainability skills to help the employees prepare for the future

Leadership Development courses: offers online & offline systematic trainings at different management level, themed at self-leadership, leadership on subordinates, business and department management and organization leadership

Hang Seng China endeavors to promote individual development and provide more opportunities for employees' career planning. In 2021, the Partner programme for New Employees was launched to enable the newcomers to have better experiences and quickly adapt to a new environment.

Fair Promotion for All

Combing corporate strategic vision and employees' career goals, we have designed clear, definite and fair career development paths, and made talent echelon plans with employee trainings and performance management to achieve sustainable HR development.

In 2021, Hang Seng China carried out talent development programmes at different levels, covering management trainees, talent growth for business and functions and the front-line workers, to establish a solid talent team with various skills.

We also encourage internal transition. The HR Department regularly publishes and updates positions to encourage orderly flow of internal staff and meet the needs of both talent development and business development, to achieve a win-win situation for both the company and talents.





## 5.3 Vibrant and Healthy Workplace

Hang Seng China values work-life balance of the employees and encourages them to realize their maximum value in work and life. Various activities are held to enrich the spare-time life of employees, cultivate staff cohesion and enhance their sense of happiness and gain.

### Health and Safety Environment

Hang Seng China strives to provide a safe and healthy working environment for the employees, with continuous efforts to reduce occupational health risks and prevent personal injury and health damage. We provide regular physical examination for employees once a year to help them pay attention to their health, preventing potential diseases and improving their lifestyle. In 2021, more flexible and diverse options for physical examination were provided.

Prevention is the safest guarantee. Hang Seng China attaches importance to safety education of the employees and continues to carry out safety training and education activities to enhance the employees' safety consciousness and skills. In 2021, 1,586 hours of safety education and training were conducted with 2,115 participants.

Hours of safety education and training (hour)

|      |       |
|------|-------|
| 2019 | 1,692 |
| 2020 | 1,407 |
| 2021 | 1,586 |

Participants in safety education and training (person-time)

|      |       |
|------|-------|
| 2019 | 2,256 |
| 2020 | 1,877 |
| 2021 | 2,115 |

The COVID-19 outbreak brings great challenges to people's health. Hang Seng China takes physical and mental health of the employees seriously during the pandemic, always putting employees' health in the first place in the prevention and control of COVID-19, and makes every effort to protect the safety and health of all employees. At the beginning of 2021, we invited doctors from Shanghai Municipal Center for Disease Control & Prevention to give lectures on COVID-19 vaccines so as to popularize knowledge about COVID-19 vaccination among the employees.

### People-oriented Culture

Hang Seng China cares about employees' needs so to provide meticulous and thoughtful services and care. In 2021, we launched the *Hang Seng Happiness* programme to enhance the employees' sense of participation and sense of identity through a rich variety of lectures and activities beneficial to physical and mental health.

- *Rainbow Diet Challenge*, which attracts a number of employees across the country to display their healthy meals
- *Rainbow Diet Lecture*, which invites national senior nutritionists to introduce scientific dietary guidelines certified by authoritative associations
- *Hang Sang China Investment and Wealth Management Private Seminar*, in which investment consultants of the company share their knowledge on investment and wealth management
- *Hang Seng China Quiz*, which encourages employees to actively participate through interaction



Hang Seng China cares about our employees' mental health and provides individual and confidential psychological counseling services for all formal employees and their immediate family members through the Employee Psychological Care programme. In 2021, the upgraded Employee Psychological Care programme, *Joyful Heart and Joyful Life*, with optimism as the theme, helped employees and their families to solve annoyances and troubles and achieve happiness in work and life through 7×24 free counseling, online and offline mental health lectures, and convenient self-help platforms. Moreover, a variety of electronic monthly magazines and fascinating offline lectures are provided on topics such as physical and mental health, family relationships and children's education, which help the employees relax after stressful work and get various tips in a relaxed manner.



Brilliant Activities at Workplace

The labor unions of Hang Seng China organize various activities to enrich employees' spare time, including recreational and sports activities, such as sports competitions (soccer, basketball, badminton, bowling, etc.), and interest group and club activities, such as Latin dance, ukulele and yoga. On traditional festivals and birthdays, featured celebrations will be held, such as mooncake DIY for Mid-Autumn Festival, 'Sending Coolness for Summer', 'Sending Warmth on Winter Solstice', and New Year activities. To enhance the employees' sense of responsibility, we also organize volunteer activities on a regular basis, such as parent-child activities for urban wetland protection, volunteer activities for caring autistic children, and anti-COVID-19 donations.



Sports competitions of Hang Seng China

Number of staff activities



Participants (person-time)



Hang Seng China ESG Practicing

Creating a Healthy and Vibrant Workplace

To make the workplace more exciting and energetic, Hang Seng China has launched the *Healthy and Dynamic New Space* programme to help the employees relieve pressure at work and stimulate their working enthusiasm through interactive health and fitness activities, such

as *Move to Burn Calories* and *Vitality Charging Station*. Led by professional instructors, participants learn about fitness tips, relax, and interact with one another between breaks, so that they could work at a better physical and mental state.



# Reliable Governance

## 6

6.1 Corporate Governance

6.2 Compliance Operation

6.3 Information Security and Privacy Protection





The Central Economic Work Conference stressed that 'economic work next year should prioritize stability while pursuing progress'. Due to the impact of COVID-19, changes are accelerating and the external environment is becoming more complex and severe. We shall do solid, deep and elaborate work in terms of innovating on the basis of what has worked in the past, because innovation and integrity enable sustainability when opportunities and risks come. Innovating on the basis of what has worked in the past is the basis for the high-quality development of Hang Seng China, and also the obligation of Hang Seng China.

## 6.1 Corporate Governance

We endeavor to establish a sound and high-standard corporate governance structure, and have established a governance structure in line with the actual practice of Hang Seng China, which includes shareholders, the Board of Directors and its subordinate committees, supervisors and the senior management, in accordance with the requirements of relevant laws and regulations and regulatory authorities, as well as the policies and guidelines of shareholders and the group regarding corporate governance. The system of authority among the governance bodies is clearly defined, and authorization and supervision are organically integrated to ensure effective implementation of the corporate governance structure.

In 2021, all corporate governance bodies of Hang Seng China complied with laws and regulations, regulatory provisions and the Articles of Incorporation, exercised their rights and fulfilled their obligations in accordance with the principles of each having its own duties and responsibilities, coordinated operation and effective checks and balances, and safeguarded the legitimate rights and interests of Hang Seng China.

### ESG Management Structure

The ESG concept is indispensable to sound operations and sustainable development of Hang Seng China. The Board of Directors has decision-making authority on ESG matters and is responsible for setting ESG development strategies and targets and reviewing ESG reports. The Executive Committee participates in the discussion and decision making of some ESG matters, and oversees the implementation and latest progress of ESG work.

We believe that the successful promotion of ESG in the banking industry depends on proactive action, surveillance, persistence and determination to make continuous improvements. With the national goals of carbon neutrality and carbon peaking being established, Hang Seng China actively practices the ESG concept, commits to reach carbon neutrality by 2030, and promotes sustainable development, striving to become a leading ESG practitioner widely recognized among foreign banks in China. To this end, the company established ESG visions and development goals in 2021, defined ESG strategic priorities, adopted the strategic plan for ESG development through the Board of Directors, and set up the ESG work leadership team. This team is responsible for daily communication with relevant departments to ensure the implementation of ESG strategies and related plans, reports the progress of ESG work to the Executive Committee of Hang Seng China and the parent bank on a quarterly basis, and reports the implementation of the strategic plan for ESG development to the Board of Directors of Hang Seng China on an annual basis for supervision over the promotion and implementation of ESG work.

The ESG concept is integrated into business development and operations top-down from the Board of Directors to the Executive Committee and the business departments. There is also a bottom-up internal drive. Each employee of Hang Seng China has a strong awareness and recognition of ESG, driving us to proactively seek opportunities for practicing ESG in business.

## Reliable Risk Management

Risk management is crucial for our regular operations and requires a robust risk management system. The Board of Directors assumes ultimate responsibility for overall risk management, sets the bank's risk appetite and approves major risk management policies and procedures. The board of directors (and its subcommittees) monitors risks through regular meetings, such as meetings with management to review the implementation of risk management. Hang Seng China sets up the risk management conference, which is responsible for overall risk management, formulating internal key risk management policies and framework guidelines, and suggest to the Chief Risk Officer.

Hang Seng China actively manages ESG-related risks in terms of transitional and physical risks so as to understand and mitigate the impact and risks of climate change on business and customers:

**Transitional risks:** For credit applications in industries subject to requirements of the parent bank's sustainable development risk policy, and industries with high pollution and high environmental risks, overcapacity, and outdated production facilities, the bank will uphold the basic principles of prudent intervention and strict restriction, and strengthen control in due diligence, access conditions, credit approval, post-loan management and other aspects.

**Physical risks:** Guidelines for business continuity and emergency management have been established, and major office losses and human losses caused by natural disasters and epidemics are classified as critical business operation interruption events and are incorporated into the business continuity daily management mechanism of all departments.

To enhance the employees' risk management awareness and capabilities, Hang Seng China conducted various forms of risk management training in 2021, which reached 9,102 participants with a total length of 7,203.15 hours.



Hang Seng China conducted various forms of risk management training in 2021, with a total length of

**7,203.15** hours



Risk management training reached

**9,102** participants



6.2 Compliance Operation

The Board of Directors attaches great importance to the regulatory compliance management. Hang Seng China strictly complies with applicable laws and regulations and follows the highest standards of business ethics in business activities and daily operations. In terms of governance, we regularly report to the Risk Management Meeting and Risk Committee such as regulatory trend follow-up and implementation plans, regulatory opinions and corrective measures, regulatory compliance risks and mitigation measures, and further to the Board of Directors through the senior management when required. In terms of policies and systems, policies related to compliance management have been established. In terms of implementation, the company identifies any potential or actual compliance risks in a timely manner and proactively reports to the Compliance Department in accordance with internal policies and procedures. The Compliance Department assists the senior management in communication to the regulatory authorities.

Business Ethics and Anti-Bribery

Hang Seng China has formulated the *Anti-Bribery and Corruption Policy*, the *Anti-Bribery and Corruption Procedures*, and the *Anti-Bribery and Corruption Guidelines*, which cover various dimensions from employee behavior, customer transactions, business transactions with third-party associates to bank strategies. In 2021, various forms of training on business ethics were conducted, with 1,508 hours and 2,010 participants.

| Metrics   | 2021  |
|---|-------|
| Participants in training on business ethics (person-time) | 2,010 |
| Hours of training on business ethics (hour)               | 1,508 |

Preventing Financial Crimes

Hang Seng China attaches great importance to the prevention of financial crimes, and constantly take actions to improve the internal control management system and the risk control mechanism for financial crimes, strengthens the governance for financial crimes and the risk control for customers and businesses, actively carries out publicity and training on the prevention of financial crimes, and takes multiple measures to effectively prevent the risks of financial crimes, terrorist financing and international sanctions.

The Management and Evaluation System

We have developed the *Anti-Money Laundering and Anti-Terrorist Financing Compliance Policy of Hang Seng Bank (China) Limited* and the *Anti-Money Laundering and Anti-Terrorist Financing Internal Control System of Hang Seng Bank (China) Limited*, which together form a financial prevention and monitoring system including customer identification, large-value and suspicious transaction reporting, customer identity data and transaction record keeping, anti-fraud, anti-bribery and corruption, and anti-tax evasion. Since 2015, Hang Seng China has gradually established a money laundering risk assessment system for financial products and services, enabling a comprehensive financial crime risk level assessment based on inherent risk, control measures and residual risk

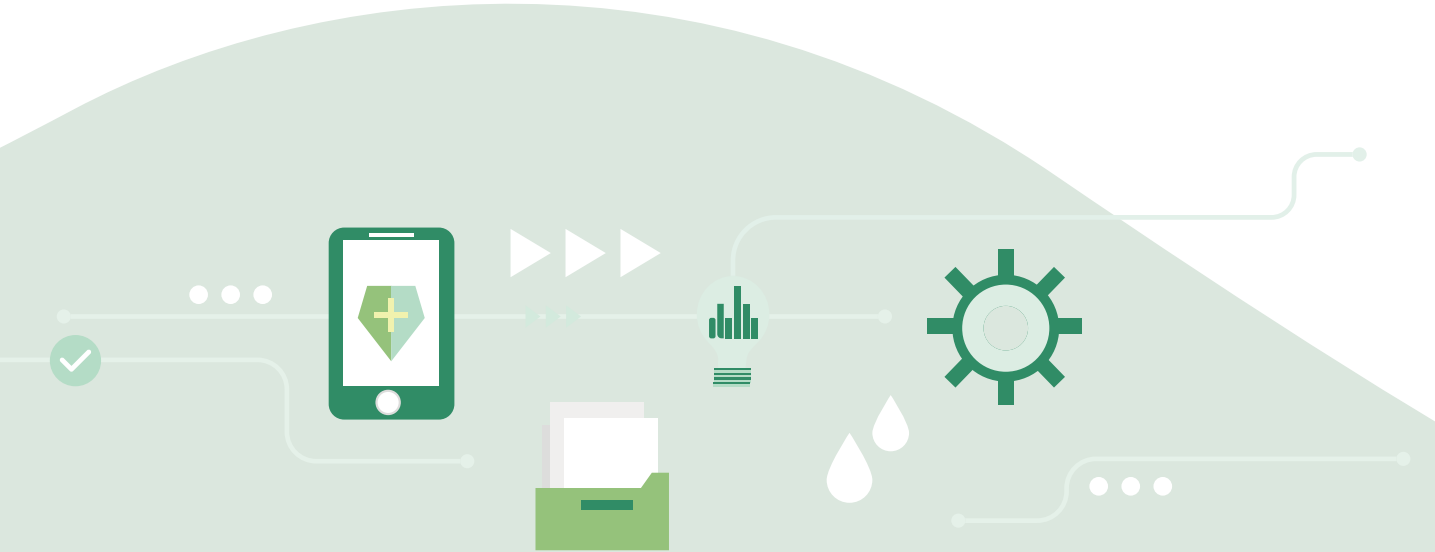
Financial Crime Training

Hang Seng China has developed 12 compliance training courses on financial crime prevention to continuously enhance the employees' awareness on financial crime risk identification and prevention, and has conducted various forms of compliance training on financial crime prevention, with a total length of 7,059 hours and 8,352 participants throughout 2021. A series of special training courses are designed for high-risk positions, including a series of training on the 'construction of financial crime prevention and control capabilities' training

| Metrics   | 2021  |
|---|-------|
| Participants in financial crime prevention training (person-time) | 8,352 |
| Hours of financial crime prevention training (hour)               | 7,059 |

Enhance Employees' Compliance Awareness

By advocating 'prevention and control of compliance risks is responsibility for everyone', Hang Seng China continues to strengthen employees' compliance awareness. In 2021, we conducted a number of employee compliance training, including case sharing, online e-training courses, special education on employees' behavior management, and learning columns.





6.3 Information Security and Privacy Protection

In strict comply with the requirements of relevant laws, regulations, specifications and policies including *the Cybersecurity Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, and the Financial Mobile Application Software Security Management Specification*, Hang Seng China has established a sound information security risk management system, including reliable data security strategies and standards, and supervision and management mechanisms. According to relevant provisions of *the Personal Information Protection Law of the People's Republic of China*, we provide information security education and publicity to all employees through lectures and training materials, so as to continuously enhance their awareness and capability regarding information security and privacy protection.



Customer Information Protecting System

In 2020, Hang Seng China established a comprehensive information protection system. We made strict approval and review process for operating authority and application process for data acquisition, as well as defined the operating authority for information processing, and required regular review of those with relevant authority.

Enhancing Employees' Awareness

To enhance the employees' awareness on information security and customer privacy protection, Hang Seng China regularly provides security education and training, and carries out publicity to relevant employees through a variety of channels, including online courses, lectures and training materials. In 2021, 3,204 employees received relevant training with a total length of 2,403 hours.

| Metrics   | 2021  |
|---|-------|
| Participants in information security training (person-time) | 3,204 |
| Hours of information security training (hour)               | 2,403 |

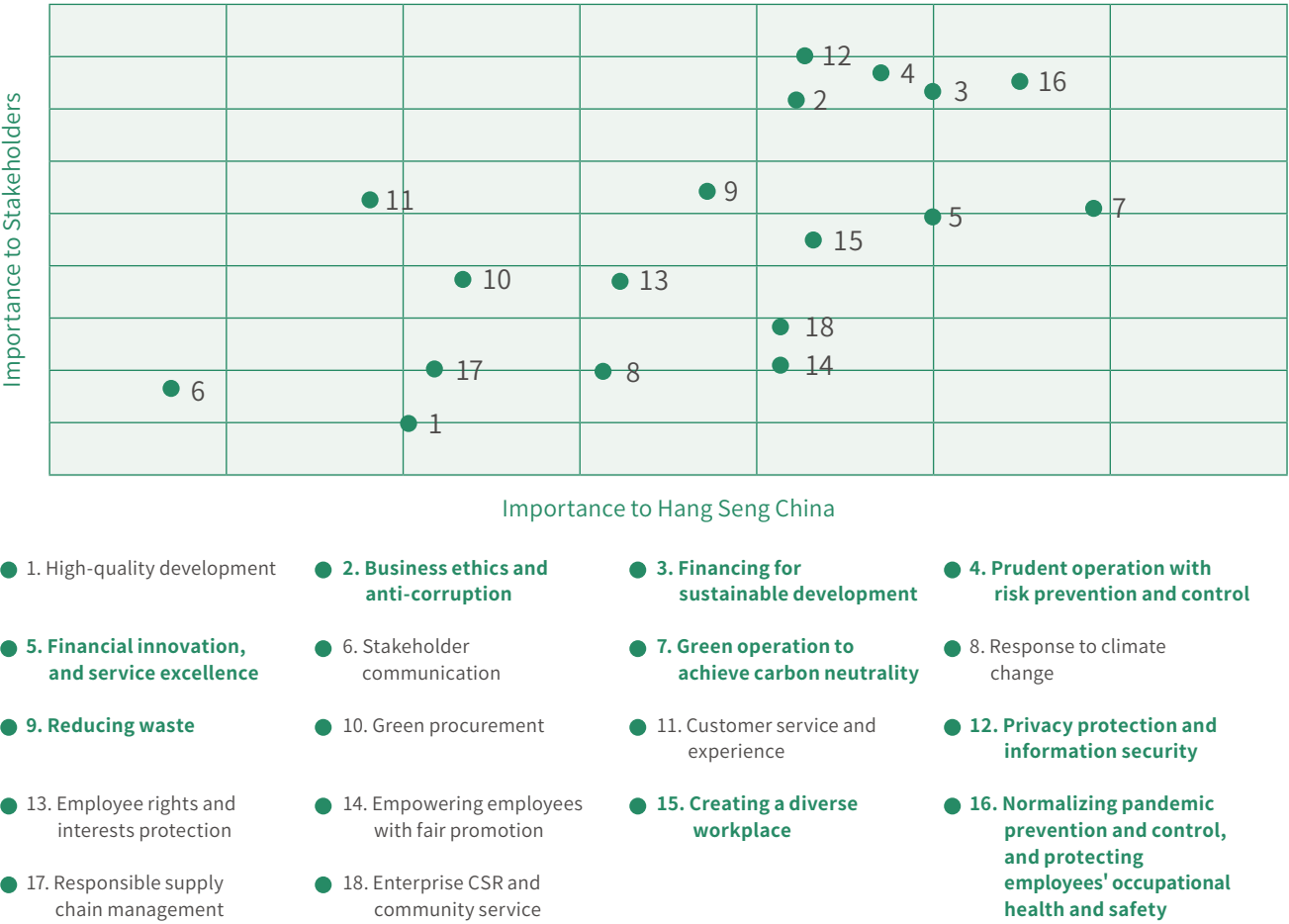
Communication with Stakeholders

7.1 Materiality Assessment

Hang Seng China highly values the expectations and demands of stakeholders concerning the company's ESG management. In 2021, in light of social issues, national policies and industry trends, as well as the company's development and ESG strategy, we identified the material issues with a significant impact on both Hang Seng China and our stakeholders based on 'the importance to both sides', referring to the materiality assessment model, and then determined the ESG information to be disclosed in this report and the priorities in future ESG work.

By combing international standards such as GRI Standards and the practice of Hang Seng China, and in conjunction with the communication between the company and its stakeholders in the past year, we determined 18 material issues related to Hang Seng China. Then we solicited views from stakeholders including government and regulators, customers, employees, suppliers and partners, and the community through an online questionnaire, plotted an analysis matrix of material issues, and identified nine key material issues: **normalizing pandemic prevention and control, protecting employees' occupational health and safety; financing for sustainable development; prudent operation with risk prevention and control; privacy protection and information security; business ethics and anti-corruption; green operation to achieve carbon neutrality; financial innovation and service excellence; creating a diverse workplace; and reducing waste.**







Quadrant Distribution of Material Issues of Hang Seng China in 2021





## 7.2 Communication with Stakeholders

Hang Seng China always holds an open and positive attitude to maintain effective communication with stakeholders, fully considers the impact of its operations on stakeholders, and carefully listens to and understands the expectations and demands of stakeholders on ESG management of Hang Seng China.

|   |    |   |   |  |   |   |    |    |
|---|---|--|--|--|--|--|---|---|
| Stakeholders                                | Government and Regulators   | Shareholders and Investors   | Customers  |  | Suppliers and Partners   | Employees  | Community   | Environment   |
| <b>Issues</b>                               | <ul style="list-style-type: none"> <li>• High-quality development</li> <li>• Serving the real economy</li> <li>• Prudent operation with risk prevention and control</li> <li>• Tax compliance</li> <li>• Business ethics and anti-corruption</li> <li>• Privacy protection and information security</li> <li>• Green operation to achieve carbon neutrality</li> <li>• Stakeholder communication</li> </ul> | <ul style="list-style-type: none"> <li>• High-quality development</li> <li>• Financing for sustainable development</li> <li>• Prudent operation with risk prevention and control</li> <li>• Response to climate change</li> <li>• Stakeholder communication</li> </ul> | <ul style="list-style-type: none"> <li>• Financial innovation, and service excellence</li> <li>• Customer service and experience</li> <li>• Privacy protection and information security</li> <li>• Financing for sustainable development</li> <li>• Stakeholder communication</li> </ul> |  | <ul style="list-style-type: none"> <li>• Business ethics and anti-corruption</li> <li>• Responsible supply chain management</li> <li>• Green procurement</li> <li>• Stakeholder communication</li> </ul> | <ul style="list-style-type: none"> <li>• Protecting employees' rights and interests</li> <li>• Empowering employees with fair promotion</li> <li>• Creating a diverse workplace</li> <li>• Normalizing pandemic prevention and control, and protecting employees' occupational health and safety</li> <li>• Stakeholder communication</li> </ul> | <ul style="list-style-type: none"> <li>• CSR projects and community services</li> <li>• Stakeholder communication</li> </ul>  | <ul style="list-style-type: none"> <li>• Green operation to achieve carbon neutrality</li> <li>• Reducing waste</li> <li>• Response to climate change</li> <li>• Green procurement</li> </ul>   |
| <b>Communication Form and Manifestation</b> | <ul style="list-style-type: none"> <li>• Perfecting compliance governance system</li> <li>• Proactively paying taxes according to law</li> <li>• Studying and implementing relevant financial policies</li> <li>• Implementing regulatory policies</li> <li>• Routine approval and supervision</li> <li>• Reporting statistical statements</li> </ul>   | <ul style="list-style-type: none"> <li>• Regular reporting and information disclosure</li> <li>• Investor survey and communication meeting</li> <li>• Improve compliance governance system</li> </ul>  | <ul style="list-style-type: none"> <li>• Customer demand survey</li> <li>• Customer satisfaction survey</li> <li>• Customer hotline</li> <li>• Expanding communication channels</li> </ul>   |  | <ul style="list-style-type: none"> <li>• Daily communication</li> <li>• Communication and cooperation with peers</li> <li>• Bidding activities</li> <li>• Supplier survey and visit</li> </ul>           | <ul style="list-style-type: none"> <li>• Respecting cultural difference</li> <li>• Employee satisfaction survey</li> <li>• Improving remuneration and benefit system</li> <li>• Improving employee training system</li> <li>• Protecting employees' physical and mental health</li> <li>• Enriching employees' spare time</li> </ul>             | <ul style="list-style-type: none"> <li>• Carrying out CSR projects</li> <li>• Organizing volunteer activities</li> <li>• <i>Seed the Future, Revitalize the Future and Enlighten the Future</i> projects</li> <li>• Community investment</li> </ul> | <ul style="list-style-type: none"> <li>• Implementing energy-saving and emission reduction programmes</li> <li>• Setting explicit environmental targets</li> <li>• Carrying out green finance, and participating in relevant forums and conferences</li> <li>• <i>Seed the Future</i> project</li> <li>• Collecting and disclosing environmental performance metrics</li> <li>• Participating in environmental protection activities</li> </ul> |



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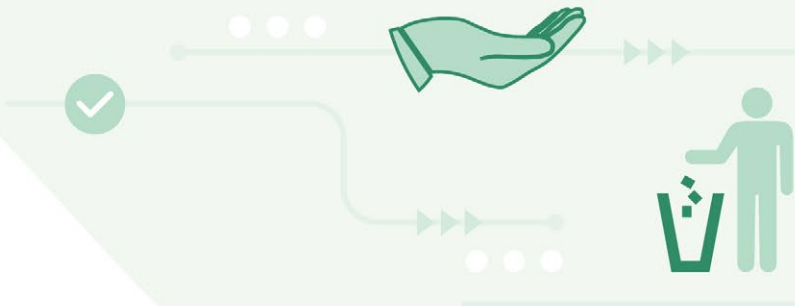
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