

HSBC Australia Modern Slavery Statement 2022



HSBC

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About HSBC

HSBC Holdings plc, the parent company of the HSBC group of entities (referred to in this Statement as either **HSBC Group** or **HSBC**), is headquartered in the United Kingdom.

The Hongkong and Shanghai Banking Corporation Limited is a wholly-owned subsidiary of HSBC Holdings plc and is the principal Asia Pacific banking entity of HSBC Group based in Hong Kong.

There are three HSBC entities in Australia which are 'reporting entities' within the meaning of the Australian Modern Slavery Act 2018 (Cth) (referred to as the **Act**):

- ◆ HSBC Bank Australia Limited (**HSBC Australia subsidiary**) – a locally incorporated and regulated authorised deposit-taking institution wholly owned by (and indirectly controlled subsidiary of) The Hongkong and Shanghai Banking Corporation Limited (ABN 48 006 434 162 AFSL/Australian credit licence 232595) with its registered address at Level 36, Tower 1, International Towers Sydney, 100 Barangaroo Avenue, Sydney NSW 2000. HSBC Australia subsidiary has one wholly owned nominee company, HSBC Custody Nominees (Australia) Limited (**HSBC Custody Nominees**). This entity is a nominee entity only, which exists for the purpose of holding client assets on behalf, and at the direction, of HSBC Australia subsidiary, and does not have its own employees, suppliers or customers. It is included in this Statement as an entity that is owned and controlled by HSBC Australia subsidiary;
- ◆ The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (**HSBC Australia branch**) – a branch of The Hongkong and Shanghai Banking Corporation Limited which is a non-Australian foreign-registered authorised deposit-taking institution (ABN 65 117 925 970 and AFSL 301737), with its registered address at Level 36, Tower 1, International Towers Sydney, 100 Barangaroo Avenue, Sydney NSW 2000; and
- ◆ HSBC Australia Holdings Pty Limited (**HSBC Australia Holdings**) – a non-trading holding company of HSBC Australia subsidiary, locally incorporated (ABN 22 006 513 873), and also a subsidiary of HSBC Holdings plc, with its registered address at Level 36, Tower 1, International Towers Sydney, 100 Barangaroo Avenue, Sydney NSW 2000 (HSBC Australia subsidiary, HSBC Australia branch and HSBC Australia Holdings are collectively referred to in this Statement as **HSBC Australia**, unless where otherwise noted).

References in this Statement to 'we' or 'our' are references to the above three 'reporting entities', being HSBC Australia, together with HSBC Custody Nominees. As part of the development of this Statement, HSBC Australia formed a modern slavery working group comprising of individuals able to represent these entities to inform and contribute to the development of this Statement. The modern slavery working group consulted with each entity listed above as well as other relevant HSBC entities, all of whom comply with the same policies with respect to modern slavery.

Who we are

HSBC Group is one of the world's largest banking and financial services organisations. Our principal holding company, HSBC Holdings plc, is incorporated in England and headquartered in London. HSBC is listed on the London, Hong Kong, New York and Bermuda stock exchanges. HSBC Group employs about 219,000 full-time equivalent staff from offices in 62 countries and territories across geographical regions in Europe, Asia, North America, Latin America, Middle East and North Africa.

HSBC Australia subsidiary was established in 1965 and offers an extensive range of financial services through a network of 40 branches and offices across five Australian states and one territory. We offer financial services across three global businesses: Wealth and Personal Banking, Commercial Banking, and Global Banking & Markets:

- ◆ The Wealth and Personal Banking business offers a wide range of retail banking and wealth management products and services designed to help internationally-minded customers.
- ◆ HSBC Australia, through its Commercial Banking business, offers a full range of financial services to mid-market companies, multinationals and international subsidiaries.
- ◆ The Global Banking & Markets business provides financial services and products to corporates, financial institutions and public sector clients.

As at 31 December 2022, HSBC Australia has approximately 1,800 full-time equivalent staff based in Australia. Further details on the structure and performance of HSBC Group can be found in the Strategic Report section of its Annual Report and Accounts 2022, which is available on the [HSBC Group website](#). In addition, further detail on the structure and performance of our Australian operations is available on the [HSBC Australia website](#).

Context

This Modern Slavery Statement (referred to as the **Statement**) is the third Statement under the Australian Modern Slavery Act 2018 (Cth). It has been prepared as a joint statement to meet the mandatory reporting criteria set out under the Act, with reference to the guidelines issued by the Australian Department of Home Affairs. As a joint statement, this Statement covers each of HSBC Australia subsidiary, HSBC Australia branch and HSBC Australia Holdings as entities subject to the provisions of the Act, and has been prepared with reference to the [seventh statement](#) issued by HSBC Holdings plc with respect to modern slavery and human trafficking under the UK Modern Slavery Act 2015.

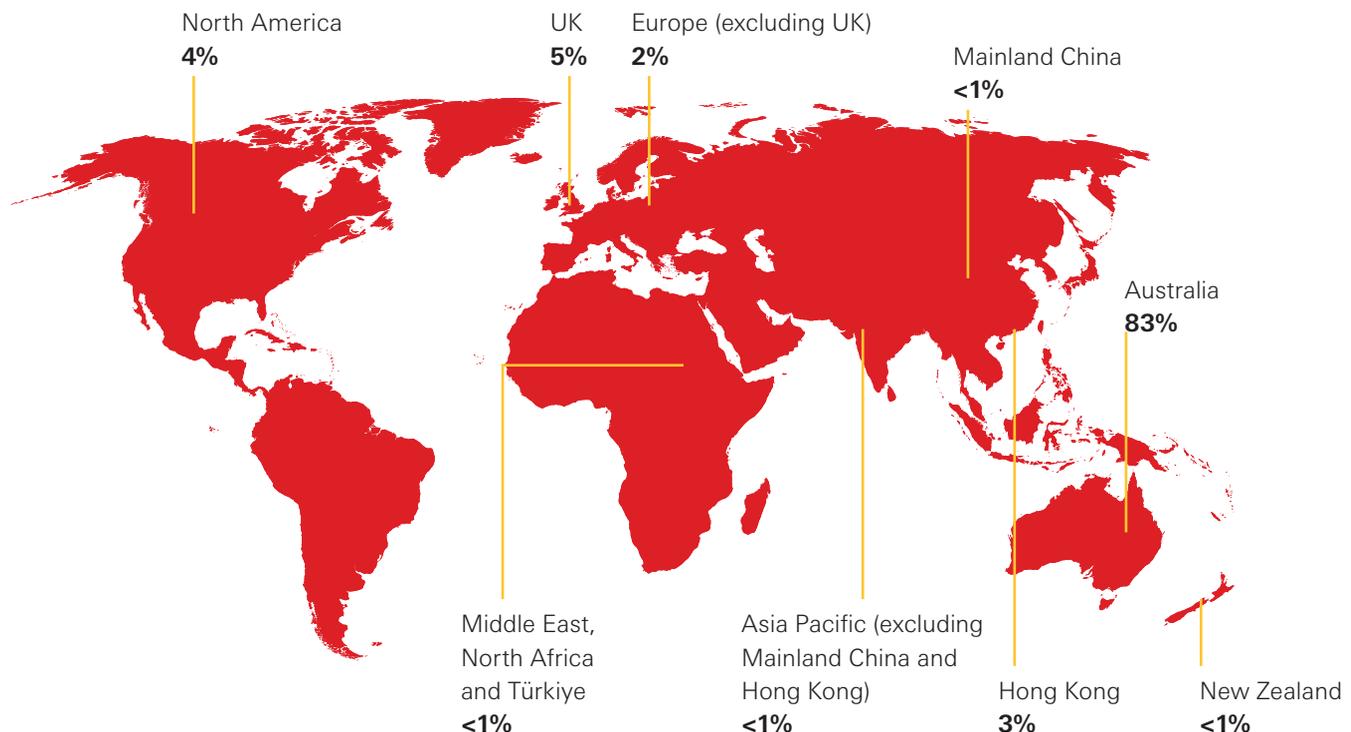
This Statement outlines the actions undertaken by HSBC Australia to identify and mitigate the risk of modern slavery occurring in its business operations and supply chain for the year ended 31 December 2022 (also referred to as the reporting period).

We report on steps that HSBC Group and HSBC Australia are taking to improve their approach to identifying, assessing and managing modern slavery-related risks in our operations and supply chain. Furthermore, this Statement examines some ways in which HSBC works with the wider financial community, law enforcement agencies, governments and civil society to act against modern slavery and human trafficking, both in Australia and at HSBC Group level.

Our Suppliers

HSBC Australia is supported by 424 third party suppliers across the regions shown in the map below, including ad-hoc one-time suppliers and those engaged through purchase orders only. These suppliers, and the companies that supply them, constitute our **supply chain**.

HSBC Australia’s major categories of spending include consultancy / professional services, IT services, corporate real estate and services that support our banking operations. 215 are contracted suppliers and are largely based in Australia. Additionally, HSBC Australia also receives internal services from other entities within the HSBC Group who are all governed by and adhere to the same HSBC Group principles, policies and requirements (further detailed below).



Policies

How we do business is as important as what we do. HSBC's responsibilities to customers, employees and shareholders, as well as to the countries, territories and communities in which it operates, go beyond being profitable. This is consistent with HSBC's [Group Values](#), which include taking responsibility for the impact on people's lives and communities and the approach to [Environmental, Social and Governance](#) (ESG) issues.

HSBC's [Human Rights Statement](#) sets out the HSBC Group's responsibility to respect human rights. In meeting this responsibility, HSBC is guided by the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, the principles on fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the UN Global Compact, the UN Principles for Responsible Investment, and the UN Principles for Sustainable Insurance.

HSBC's commitment to respect human rights is embedded in several Group-wide policies. Taken together, these policies govern behaviour as a provider of financial services to business and to personal customers, as a buyer of goods and services, as an investor and as an employer.

Business Customers

HSBC's approach is to work closely with business customers to help them understand and manage their environmental and social impact. HSBC engages with these customers and, where appropriate, supports them in adopting more sustainable practices. HSBC may end banking relationships with customers when they are unwilling or unable to comply with HSBC's standards.

HSBC have specific policies covering sectors where environmental and social risks are higher. Some of these have direct relevance to Modern Slavery, for example:

- ◆ [Agricultural Commodities Policy](#) prohibits business with customers involved, directly or through their supply chain, in the exploitation of people and communities, including through harmful or exploitative child labour or forced labour. For palm oil producers, the policy also requires certification under the Roundtable on Responsible Palm Oil (RSPO), which includes (RSPO Principle 6) protection for workers' rights and safe and decent working conditions.
- ◆ [Energy Policy](#), published in December 2022, has the stated aim of supporting a just and affordable transition, recognising the local realities in the communities HSBC serve. This also covers the social impact of customer activities, including on workers.
- ◆ [Forestry Policy](#) prohibits business with customers involved directly, or via their supply chain, in wood logged in violation of traditional and civil rights. In high-risk countries, relevant

customers must have Forestry Stewardship Council certification, which include ([Principle 4](#)) provisions on community relations and workers' rights.

- ◆ [Mining and Metals Policy](#) recognises the heightened risk in the sector of adverse impacts on workers. It sets out HSBC's response to customers causing or contributing to severe adverse impacts on human rights, which begins with an assessment of the customers' actual and potential impacts; their commitments to respect human rights; their remediation of the impacts; their own grievance mechanisms; and whether HSBC may have financed such impacts. Under the policy, HSBC businesses should support customers making acceptable progress towards good practice, but end relationships with those who do not meet HSBC's minimum standards.
- ◆ As a signatory to the [Equator Principles](#) (EP), HSBC expects customers to include an assessment of the Modern Slavery risks common to infrastructure projects, including child labour, forced labour and restrictions on collective bargaining and freedom of association (as set out in the [Guidance Notes to EP4](#)) in their project Assessment Documentation. This may affect HSBC's decision to provide finance.

These sector policies help HSBC mitigate the risk that the financial services provided to business customers may contribute to, or be linked to, Modern Slavery. They usually lead HSBC to work together with the customer to mitigate adverse impacts. In 2023, HSBC aims to develop a new Deforestation Policy, which will consolidate the existing Agricultural Commodities and Forestry policies (listed above) and will also cover human rights issues, including those related to Modern Slavery. HSBC's business customers are also subject to financial crime policies, set out at the end of this section.

Suppliers

HSBC has had an Ethical and Environmental Code of Conduct for Suppliers of Goods and Services (our [Supplier Code of Conduct](#)) since 2005. The Supplier Code of Conduct was refreshed in 2022 to include the following new minimum requirements that suppliers:

- ◆ allow workers, whether local or migrant, to leave employment when they choose;
- ◆ ensure employees are not charged recruitment fees; and
- ◆ provide facilities and information to workers to assist with agreements and negotiations on conditions of employment.

The new requirements complement the existing requirements that suppliers:

- ◆ avoid causing or contributing to adverse human rights impacts and address any impacts when they occur;
- ◆ meet or exceed the standards required by applicable legislation relating to employment and labour;
- ◆ do not employ children, prohibit the use of child labour in

- their operations and supply chains and take immediate and effective measures to stop child labour;
- ◆ prohibit the use of all types of slavery, forced labour and human trafficking within their operations and their supply chain;
 - ◆ ensure that wages meet legal requirements and industry standards without unauthorised deductions;
 - ◆ ensure that working hours are in accordance with local regulation and industry practice and that voluntary overtime is at a manageable level;
 - ◆ if permitted by law, do not prevent workers from organising and joining associations such as labour or trade unions
 - ◆ protect the rights of temporary workers;
 - ◆ ensure responsible sourcing of goods supplied to HSBC;
 - ◆ apply clear and consistent disciplinary and grievance procedures that include provisions prohibiting mental, physical or verbal abuse, and those that protect workers against retaliation;
 - ◆ provide safe working conditions where issues, incidents and non-compliance are identified and addressed; and
 - ◆ have appropriate due diligence procedures to identify and manage human rights considerations within their supply chain.

Under the Supplier Code of Conduct, HSBC reserves the right to review suppliers' policies, procedures or any other documents related to compliance with the Supplier Code of Conduct. In some cases, HSBC may require an online or on-site audit of a supplier. Our suppliers are also subject to HSBC's financial crime policies, set out below.

Personal Customers

HSBC recognises there is potential that some personal customer accounts could be associated with Modern Slavery. HSBC's financial crime policies, set out below, help us to quickly identify these accounts and take appropriate action. Some of our customers themselves may be vulnerable to Modern Slavery. We look for indicators that this might be the case from activity on customer accounts or interactions with branch staff, and alert relevant authorities if suspicions arise.

Employees

HSBC's commitment to respect human rights in the workplace aligns with HSBC's values and is set out in global policy — see [HSBC's commitments and actions](#) on the HSBC Group website. HSBC has specific policies to protect our employees' rights, as listed below:

- ◆ HSBC requires that all employees treat colleagues with dignity and respect, creating an inclusive environment. HSBC does not tolerate discrimination, bullying, or harassment on any grounds as is set out in HSBC's [statement of business principles and code of conduct](#).
- ◆ We respect HSBC's employees' right to freedom of association. HSBC observes recognised agreements and local legal frameworks and work with recognised employee representative bodies. It is HSBC's approach to maintain well-developed communications and consultation programmes with all employee representative bodies.

- ◆ HSBC's remuneration policies are designed to pay employees fairly and to attract, retain and motivate the best people, regardless of gender, ethnicity, age, disability, or any other factor unrelated to performance or experience.
- ◆ HSBC's vetting policy applies to all new hires and some internal moves.
- ◆ Underpinning all these policies, HSBC wants the voices of employees to be heard. HSBC is committed to maintaining a "Speak Up Culture", encouraging feedback and effective confidential channels for employee complaints, including [whistleblowing arrangements](#), and HSBC want employee representative bodies to feel secure in advocating for their members.

Financial Crime

HSBC's [Financial Crime Policies](#) apply to all customers, employees and third parties. These policies, covering fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing, are designed to mitigate the risk that we initiate or continue relationships with individuals or entities involved in any criminal activity.

Perpetrators of Modern Slavery may generate profits that could be considered proceeds of crime; their actions may constitute money laundering, financial flows could contribute to (and be used for) other criminal activities and funds may also be a source of terrorist financing. Public authorities may impose sanctions for human rights abuses including Modern Slavery, and HSBC recognises that bribery and corruption can also contribute to such abuses.

Approach to Due Diligence and Risk Management

Risk Overview

In 2022, HSBC Group's review of salient human rights issues indicated that HSBC, including HSBC Australia, is most likely to be exposed to Modern Slavery through relationships with business customers and suppliers especially (though not exclusively) those operating, or with supply chains, in sectors dependent on low-skilled or migrant workers with a high turnover of potentially vulnerable workers or in places where these practices are prevalent. HSBC's processes for identifying, preventing, mitigating and accounting for how HSBC addresses impacts on human rights (human rights due diligence) are described below. Most of HSBC Australia's suppliers are based in geographical locations which are considered lower risk for modern slavery, however, we are acutely aware that slavery-like practices can and do occur in lower risk jurisdictions in certain high risk categories.

HSBC's review also found that Modern Slavery issues were less likely to arise in respect of personal customers but recognised that a small number of these customers may attempt to use their personal accounts to launder the proceeds of related crimes or may themselves be victims. HSBC's financial crime risk management processes help us to identify and respond to these risks as illustrated in the case study included below.

Modern Slavery issues were also deemed far less likely to arise in respect of our employees; the financial services sector is considered low risk in this regard. Nevertheless, we take a range of steps, detailed below, to ensure our employees' right to decent work is respected.

With respect to HSBC Australia Holdings, given it is a non-trading entity, we have assessed the risks of modern slavery occurring in this entity's business operations and supply chain to be low.

Business Customers

Due Diligence

HSBC's relationship managers are the primary point of contact for most of our business customers and are responsible for checking whether customers meet the policies described in Section 2 above.

They are supported by more than 75 Sustainability Risk Managers across the Group, who have local or regional responsibility for advising on, and overseeing, the management of environmental and social risks such as Modern Slavery. Sustainability Risk Managers are supported by Group Reputational and Sustainability Risk, a central team responsible for developing policies, guidance and training, and overseeing the overall policy compliance.

HSBC investigates potential adverse human rights impacts, including those related to Modern Slavery, where credible allegations are reported or where potential issues are identified and escalated. Where required, individual customer relationships are subject to further review by Reputational Risk and Client Selection Committees. We may exit customer relationships when customers are unwilling or unable to comply with our standards.

HSBC screens for ESG risks within our Customer Due Diligence governance processes and obtain independent ESG negative news data from a specialist vendor to provide a clearer picture of whether such customers are acting responsibly on ESG issues, including Modern Slavery. HSBC broadened this approach by integrating ESG negative news monitoring into the refreshed sustainability risk assurance framework. ESG negative news screening is being extended across the customer portfolio.

In 2022, HSBC Group began testing new approaches to human rights due diligence in respect of customers in Germany, the UK, Bangladesh and the Middle East. These approaches are designed to enhance HSBC's ability to identify, prevent, mitigate and account for how HSBC addresses impacts on human rights, complementing existing screening and risk mitigation activities.

In 2021, HSBC Australia completed a review of our wholesale customer base for geographical modern slavery risk. That is, we reviewed the country of incorporation and/or residence and country of major trading of all wholesale customers against the 10 countries with the highest prevalence of Modern Slavery from [The Global Slavery Index 2018 \(Walk Free Foundation\)](#). This resulted in three customers being identified for review for modern slavery as part of existing enhanced due diligence processes, however the review confirmed that human rights and/or modern slavery risks were not pertinent among the three customers. A review of customers with sector/category risk will be considered as part of HSBC Group activities within Commercial Banking.

Engagement

HSBC engages with customers and, where appropriate, supports them in adopting more sustainable practices, including in respect of the right to decent work of their employees and those in their supply chain.

Suppliers

Due Diligence

In 2022, HSBC modified the way we apply our ESG negative news screening capability to contracted suppliers, using ESG risk factors as the threshold criteria rather than contract value. We now screen suppliers in 14 sectors identified as having a high ESG risk, such as construction and food and beverage. The ESG screening covers 28 environmental, social and governance issues including forced labour, child labour, freedom of association and collective bargaining, occupational health and safety issues, and poor employment conditions.

HSBC's global onboarding assessment process for contracted suppliers has been expanded to now include a Human Rights Inherent and Residual Risk Questionnaire which also incorporates geographical risks.

In October 2022, HSBC introduced a Sustainable Procurement Mandatory Procedure which enhances the way we manage human rights risk in our supply chain. The Mandatory Procedure sets out the minimum requirements to ensure our procurement consider social, environmental and governance factors when buying goods and services from suppliers.

Engagement

HSBC's Supplier Code of Conduct (see Section 2, above) gives us the right to conduct audits and to request evidence of due diligence processes in respect of any of the issues covered, including Modern Slavery. With the launch of the revised Supplier Code of Conduct, we will be able to strengthen our collaboration with suppliers to support continual improvement in respecting human rights.

Since the last reporting period, for HSBC Australia's 215 contracted suppliers:

- ◆ 100% of suppliers have been assessed against the financial crime process
- ◆ 97% of contracted suppliers have accepted our Supplier Code of Conduct or can demonstrate they have policies and procedures which align with our Supplier Code of Conduct. Five contracted suppliers who did not accept the Supplier Code of Conduct at the time of onboarding are still subject to our ESG screening procedures

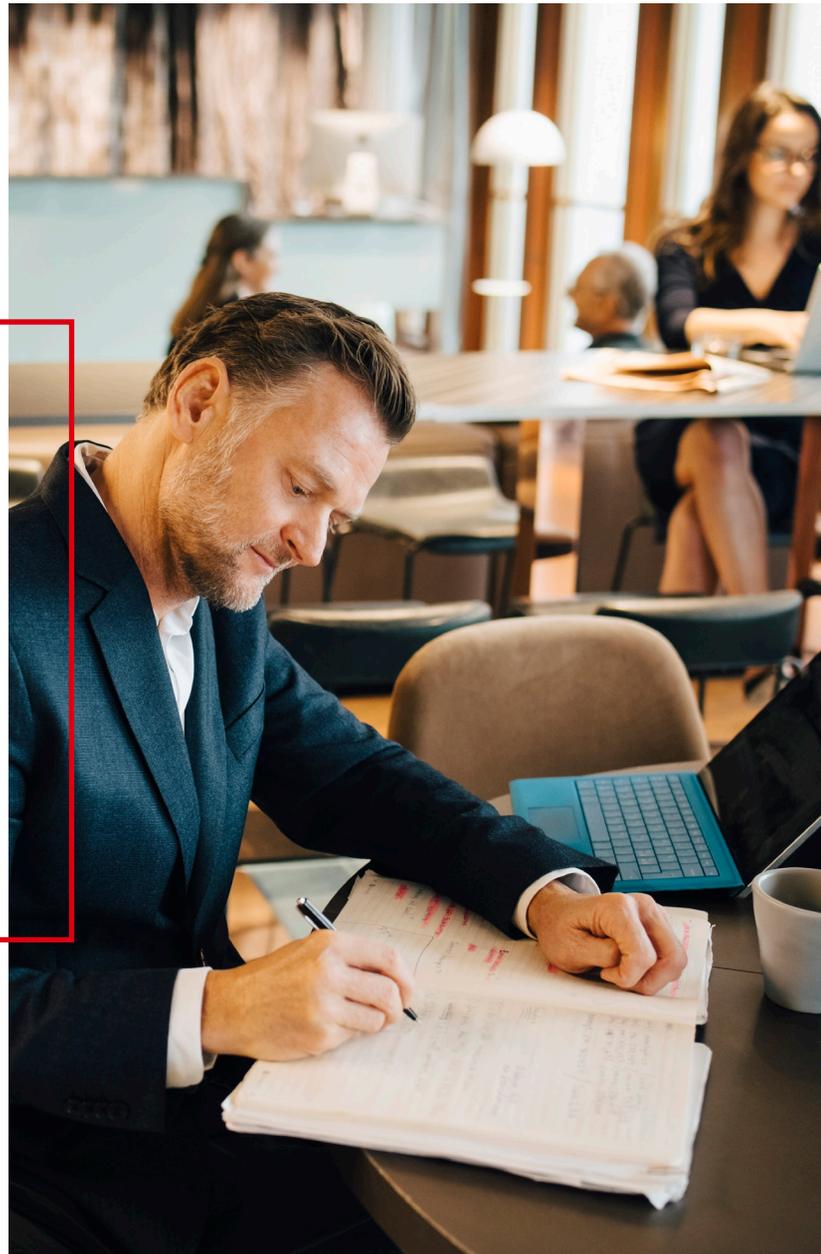
Applying a category approach for ESG screening rather than a spend based approach in this reporting period has increased the number of contracted suppliers screened. To date, 53% of applicable suppliers have now been screened for ESG risk and none have been rated as high-risk.

Internal HSBC suppliers

HSBC Australia, during normal business operations, receives services from other HSBC entities which have been considered in the preparation of this Statement as Internal Third Parties (ITPs) to our supply chain. ITP arrangements include third- and fourth-party relationships between HSBC Australia and relevant other HSBC entities.

In 2022, HSBC Australia received 371 internal services from 37 other HSBC entities managed under 11 service contracts. All ITP services are provisioned by registered HSBC entities that operate under all applicable HSBC Group, Regional and Local policies and the relevant Legal, Regulatory and Statutory obligations in the jurisdictions of operations.

The personnel providing ITP services are HSBC employed personnel and protected under all relevant and applicable Laws, Regulations and Policies. Protections include but are not limited to anti-harassment, anti-bullying, freedom of association, agreed remuneration and leave, workplace flexibility, occupational health & safety and confidential employee support services including whistleblowing.





Personal Customers

HSBC understands that Modern Slavery is most likely to be linked to the provision of services to personal customers through association with the financial activities of perpetrators of these crimes and their victims. An example of how HSBC's financial crime controls have helped to **identify criminal abuse of personal accounts** is provided below.



CASE STUDY

Identifying human trafficking risks

By leveraging typologies and negative news screening capabilities, HSBC's Compliance teams proactively identified several cases of active retail and corporate banking accounts held in the names of suspected offenders involved in child exploitation, organised prostitution and forced labour.

In two separate cases, HSBC's Compliance team identified negative news articles involving teachers engaged in child exploitation activity. In one example, the team identified an active retail banking accountholder whose name matched that of a teacher accused of using online social media and gaming platforms to exchange online child sexual abuse material (CSAM) with students. The Compliance team identified credit card transactions towards a mobile app store, the details and timing of which were consistent with reported allegations that the individual purchased in-app gaming coins to facilitate communication with minors. In another example, HSBC's retail banking colleagues identified an active account that engaged in a number of debit card transactions to an adult entertainment website that allegedly hosted CSAM. Through further investigation, the team confirmed that the accountholder faced accusations of using a social media platform to cultivate relationships with two victims and transmit unlawful and illicit material.

In another jurisdiction, by combining leads from open-source reports with law enforcement engagement, the Compliance team identified several retail account holders involved in fake recruitment schemes that led to the cross-border kidnapping of jobseekers, who were held for ransom and often subjected to forced labour. Reviews of transactional activities identified additional red flags such as large volumes of cash transactions, unusual transaction flows and unusual overseas ATM activity. The team assessed the accountholders were likely involved in operating social media accounts to recruit victims and receiving ransom payments.



Employees

HSBC takes action to implement the policies described above in the following ways:

- ◆ HSBC's Global Mandatory Training, completed by all colleagues, raises awareness of HSBC's **intolerance of bullying, harassment and discrimination** and the action we take when it is identified. We also provide training on HSBC's Speak-Up channels. HSBC Australia has a grievance procedure through which employees can raise work-related complaints. There are circumstances where people may feel the need to raise concerns more discreetly – HSBC Confidential, our global whistleblowing platform, allows our people to raise concerns in confidence and, where preferred, anonymously.
- ◆ We monitor our colleagues' confidence in our Speak-Up channels through our all-employee Snapshot survey which measures our **Speak-Up** and **Trust** indices, both of which increased year-on-year in 2022 and remain ahead of the industry benchmark.
- ◆ HSBC Australia respects its employees' right to freedom of association. We work professionally with recognised employee representative bodies. We observe recognised agreements and local legal frameworks. Where we undergo organisational change, we will engage in appropriate consultation with our people and seek to redeploy affected persons where appropriate. HSBC's pay framework provides clear and consistent guidance to ensure **our pay decisions are free from discrimination** and we survey employees anonymously on an annual basis on whether their pay is fair.
- ◆ HSBC Australia's reward strategy acknowledges that remuneration is one part of a comprehensive employee value proposition. HSBC's performance and reward philosophy helps to attract, retain and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. In 2019, in Australia, the Banking, Finance and Insurance Award 2010 (**Award**) was amended to introduce the concept of 'no disadvantage' for employees who are paid an annualised salary. That is, employees paid on an annualised basis cannot be disadvantaged compared with their hourly rate, including overtime rates. HSBC Australia is compliant with the Award, including an annual reconciliation of hours worked to ensure that we are paying at or above Award rates.
- ◆ **We listen to feedback** from our employees through the following channels:
 - **Our Snapshot Survey.** Our directors set the tone by discussing employee feedback leveraged from the Snapshot report and also through regular interactions held with the workforce.
 - **Monitoring our "Speak Up Index"**, which reviews our employees' reported confidence in relation to the following three questions: "My company is genuine in its commitment to encourage colleagues to speak up", "I feel able to speak up when I see behaviour which I consider to be wrong" and "Where I work, people can state their opinion without the fear of negative consequences".
 - **Operating several Speak-Up channels** and making them available to all employees via a dedicated intranet page. Any employee or staff member with concerns related to Modern Slavery can raise them through a number of routes including line manager escalation and if necessary through HSBC Confidential which is available in local languages.
 - All country teams are required to have a policy by which employees can raise their complaints or concerns, and these policies are required to meet minimum standards. We encourage colleagues to speak with their line managers or use local complaints policies wherever possible, but we recognise there are circumstances where people may feel the need to raise concerns more discreetly through HSBC Confidential.
 - We monitor, and regularly report to management committees, employee conduct and concerns, trends and themes, including instances of alleged discriminatory treatment and disciplinary action taken.
 - We do not tolerate retaliation against anyone who raises concerns, and we take action when this is identified.

Financial Crime Risk Management

HSBC's financial crime controls help to identify and assess the risks posed by customers, employees and third parties, and determine whether we wish to establish a relationship with them. If we do establish a relationship, we continue to monitor risks by keeping track of the customer's relationships and activities, and by screening them against specified lists, indicators and known typologies. This includes indicators identified from our review of the Typologies and Indicators Working Paper delivered by the Australian Banking Association and KPMG in March 22.

Where we believe we have identified signs of financial crime, including those linked to potential human rights abuses, we seek to investigate and take appropriate mitigating action, including reviewing the relationship and reporting to relevant government authorities.

Measuring Effectiveness

During the reporting period, we gained better understanding of our modern slavery risks in HSBC Australia's supply chain through our enhanced supplier due diligence processes. HSBC Australia's third-party governance forum tracks key metrics including:

- ◆ Percentage of contracted suppliers screened for ESG risks since 31 December 2021
 - None of the suppliers screened for ESG risk have been rated as high risk.
- ◆ Percentage of contracted suppliers that have accepted the supplier code of conduct
 - HSBC Australia will work with the five suppliers who have not accepted our HSBC supplier code of conduct to comply or improve their position

In addition, an enhanced due diligence program was initiated with 16 suppliers selected to complete a Supplier Self-Assessment Questionnaire (SAQ) of their current Human Rights and Modern Slavery programs, policies, and processes. Evaluation of their responses and additional due diligence is scheduled for the next reporting period.

HSBC Australia's modern slavery working group also remains in operation and meets on a regular basis to maintain continuous improvement on our approach to modern slavery risks across the bank, as well as to support the delivery of an annual statement.



Training and Partnerships

Enhancing Our Understanding of Modern Slavery

In 2022, HSBC Group conducted an assessment of HSBC's human rights impacts. A key part of this process was the validation of the assessment through consultation with stakeholders, including NGOs, investors, customers, suppliers and public authorities. More detail of this process is available in the chapter on human rights in the [ESG Review](#) which forms part of HSBC Group's Annual Report and Accounts 2022.

In addition, in 2022, HSBC Group developed guidance on human rights risk, providing colleagues with clear principles and practical advice, including case studies on how to identify, prevent, mitigate and account for how HSBC can address impacts on people, including in the context of Modern Slavery.

In HSBC Australia, in 2022, we delivered Modern Slavery training to 58 third party engagement managers. We also commenced working on the development of a local training module on modern slavery. This is a self-paced, e-learning module for delivery to all HSBC Australia employees and will be ready for launch in 2023.

HSBC's Group and Regional **Compliance** teams deliver insights on human trafficking risks and their impact on the financial services sector through internal reports and training sessions. Between June and July 2022, HSBC's Compliance teams worked with the [Mekong Club](#) to moderate and deliver thirteen "Lunch-and-Learn" sessions on human trafficking and ESG risks, bringing together over 880 colleagues - including attendees from HSBC Australia.

HSBC's Global **Procurement** team has provided sustainability introduction training for 252 global procurement employees including HSBC Australia Procurement employees as part of a three-year sustainability training programme. This training provided a baseline understanding of key sustainability issues relevant to HSBC procurement including Modern Slavery.

Working in Partnership

HSBC is a strong advocate of public-private partnerships and information sharing initiatives. HSBC plays an active or founding member role in public-private partnerships in numerous jurisdictions around the world and, where the law allows, work cooperatively with other participants in the global financial system to share both strategic and tactical-level information to help combat financial crime, including that related to Modern Slavery. HSBC works with a range of markets and standard-setting bodies, including the Financial Action Task Force (FATF), to share initiatives and findings.

In the UK, for example, HSBC continues to be a leading member of the [Joint Money Laundering Intelligence Taskforce](#) (JMLIT). One of JMLIT's key operational priorities is "understanding and disrupting the funding flows linked to organised immigration crime and human trafficking". HSBC is also a founding member of the UK Home Office's Business Against Slavery Forum, which brings together senior business leaders in the UK, committed to pioneering industry action to eradicate Modern Slavery from supply chains.

Locally, HSBC Australia is a member of the Fintel Alliance, a private-public partnership of government and private sector domestic and international members, which was launched by the Australian Transaction Reports and Analysis Centre in 2017. This brings together a range of organisations that work together to increase the resilience of the financial sector to prevent it being exploited by criminals, and to support law enforcement investigations into serious crime and national security matters.

Globally, HSBC works collaboratively with non-governmental organisations (NGOs), think-tanks and research institutes and, in Europe, focus on Pan-European committees concerned with identifying and policing Modern Slavery risks. Throughout 2022, HSBC participated in joint law enforcement and civil society conferences, including the UN Global Compact's UK Modern Slavery Working Group. HSBC meets or exchanges correspondence with NGOs and civil society groups when they raise concerns related to HSBC customers. HSBC is a member of the Thun Group of banks, the main purpose of which is to deepen understanding of the UNGPs within the context of banks, and to consider how those principles may be applied across the range of different banking activities. Alliances such as the Mekong Club's financial services working group are collaborative efforts that focus on criminal typologies specific to each geographical region, including the unique risks related to the trafficking and exploitation of men, women and children.

HSBC Group also works with NGOs that aim to rehabilitate survivors of Modern Slavery, or to educate the world on its risks and relevance to all our lives. These strategic partnerships also help to develop the awareness and skills of HSBC's analysts, enhancing risk management capability.

Governance

This Statement covers the period from 1 January 2022 to 31 December 2022.

HSBC Australia:

HSBC Australia created a modern slavery working group in 2021, drawing upon resources from a number of functions within HSBC Australia and HSBC Group subject matter experts to determine, review, assess and execute HSBC Australia's approach to modern slavery risk.

This Statement was supported and guided by our previous statement (HSBC Australia Modern Slavery Statement 2021) and HSBC Group's statement. It was reviewed by various stakeholders with whom HSBC Australia and HSBC Custody Nominees consulted in order to develop this Statement. This included the modern slavery working group and HSBC Australia's executive committee, before final consideration and approval by HSBC Australia subsidiary's Board of Directors, HSBC Australia Holdings' Board of Directors, HSBC Custody Nominees' Board of Directors and the Senior Officers of HSBC Australia branch.

In 2023, HSBC Australia will work with HSBC Group to amend the format of our Modern Slavery Statement from standalone to an addendum to the HSBC Group's Modern Slavery and Human Trafficking Statement.

HSBC Group:

In 2021, HSBC enhanced governance on human rights by appointing key members of the Group Executive Committee to HSBC's Human Rights Steering Committee, with the Group Chief Risk and Compliance Officer as Chair. In 2022, this Committee met on 6 occasions. The Human Rights Steering Committee is overseen by the Group Executive Committee and, by virtue of the status of the Steering Committee Chair and the leading role of the Risk Function in enhancing the Group approach to human rights, by the Group Risk Committee of the HSBC Holdings plc Board.

Responsibility for the development and review of the policies set out in this Statement is listed in the table below

Policy	Department	Function
Sector risk policies for business customers	Sustainability Risk	Group Risk and Compliance
Financial Crime policies	Financial Crime	Group Risk and Compliance
Employee policies	Talent Management, Performance Reward and Employee Relations	Group Human Resources

HSBC's approach to reporting under the UK Modern Slavery Act was developed by a Group-wide Human Rights Disclosures Network coordinated by Group Public Affairs, drawing on resources from all relevant functions, businesses and geographies. The Statement was considered and approved by:

HSBC Holdings plc ESG Committee

HSBC Holdings plc Disclosure Committee

Boards of other HSBC Group entities required to report under the Act, listed below

HSBC Holdings plc Board

Improving our Statement over time

HSBC Australia will continue to develop its modern slavery risk capability by:

- ◆ **Supply chain:**
 - Together with HSBC Group, review the responses of the Supplier Self-Assessment Questionnaire (SAQ) and identify any areas that require further due diligence. Some suppliers may be selected for an on-site audit. The results will be used to continue to improve and fine tune our supplier due diligence processes. In addition, it will be mandatory that Supplier Modern Slavery and Human Rights practices are assessed as part of the procurement evaluation criteria in all Requests for Proposals (RFP) in the next reporting period.
 - Complete the ESG screening on the applicable suppliers
- ◆ **Customer:** a review of wholesale customers with sector/category risk will be considered with HSBC Group as part of their testing of approaches.
- ◆ **Education:** Launch of the e-learning module on modern slavery to all HSBC Australia employees, with completion required annually thereafter.

This Statement was approved by the Boards of HSBC Australia subsidiary, HSBC Australia Holdings and HSBC Custody Nominees on 19 June 2023, 1 June 2023 and 1 June 2023, respectively in their capacity as the principal governing body of these entities and by the Senior Officer Outside Australia (Philip Fellowes) in his role as principal governing body of HSBC Australia branch on 12 June 2023.



Antony Shaw,
Chief Executive Officer / Executive Director

as authorised signatory on behalf of each of:

- ◆ HSBC Bank Australia Limited
- ◆ The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch
- ◆ HSBC Australia Holdings Pty Limited
- ◆ HSBC Custody Nominees (Australia) Limited



