

Modern Slavery Statement 2021

Financial year ending 31 December 2021

This modern slavery statement is made by China Merchants Bank Co., Ltd., Sydney Branch (ABN 96 609 857 383) (“the Bank” or “we”), pursuant to the *Modern Slavery Act 2018* (Cth) for the financial year ending 31 December 2021.

This Statement sets out the actions we have taken to address modern slavery and human trafficking risks in our supply chain and operations.

1. Our culture and values

We believe that corporate culture, which defines the shared practices and values of our businesses and employees, is the foundation of development of our core competences. We advocate the values of “openness, integration, equality and tolerance”, which are deeply rooted in the culture created and inherited by our employees, fostered by our philosophy known as “Let our employees be their own masters” and guided by the principles of “Do the right thing even if it is not in your KPI” as well as “Fear not for opposition but for silence”.

Our culture and values, among others, assist in managing and mitigating any potential risks of modern slavery and human trafficking.

2. Our structure, operations and supply chain

Our structure and operations

China Merchants Bank Sydney Branch is an Australian establishment of China Merchants Bank Co., Ltd., which was incorporated in Shenzhen in 1987. Since June 2017, the Bank has been authorised by the Australian Prudential Regulation Authority (APRA) to carry on banking business as a foreign Authorised Deposit-taking Institution (ADI). The Bank holds an Australian Financial Services Licence (AFSL 498531), and its Australian operations are based in Sydney.

The Bank proactively participates in Sino-Australian cross-border financing services, trade finance, global market, and provides supporting services for “going-global” customers to invest in Australia and for “brought-in” leading foreign enterprises to develop in China. At the same time, we service the needs of private banking customers for global services and the cross-border non-financial value-added services.

Our supply chain

The Bank mainly procures goods and services from suppliers located in Australia. Main types of goods and services we procure include professional services (auditing, legal advisory, etc.), technology infrastructure (hardware, software, telecommunications, etc.), financial information solutions (financial market data, industry analysis, etc.), and facilities (leasing of office premises, cleaning and maintenance, etc.). We work with these suppliers on both long-term and ad-hoc basis with suitable contractual arrangements in place.

3. Modern slavery risks in operations and supply chain

The financial services industry is an industry with lower risks of modern slavery, but we remain vigilant to identify any potential risks within our supply chain, customers’ and counterparties’ activities.

In line with the first reporting period, the Bank has identified a number of products and services within its operations and supply chain that may carry relatively higher modern slavery risks because of their labour-intensive nature, such as cleaning and maintenance, security services, food and beverages, and hospitality.

However, the majority of our procurements are in relation to professional services and in industries with lower risks of modern slavery, which are generally provided by established and reputable companies, e.g. international law firms and accounting firms. We believe that the risk of our major suppliers being involved in the commission of slavery and human trafficking is low.

There is a very low modern slavery risk in our operations in Australia, considering that Australia has a low prevalence of modern slavery with strict labour regulations in place, and the nature of the Bank’s employees who are predominantly highly skilled professionals.

4. Actions to assess and address the risks of modern slavery

Due Diligence

Due diligence is an important tool to ensure we have a comprehensive understanding of our customers and counterparties.

In line with our regulatory obligations and a risk-based approach, we have incorporated a comprehensive Know Your Customer process for the identification and assessment of financial crime risks in our customer base, including unethical or criminal activities (e.g. modern slavery and human trafficking), that their activities may pose to our operations.

Prior to materially outsourcing any functions to a third party, a due diligence process is conducted by screening negative news which would further assist to flag any issues with a supplier in relation to modern slavery violations.

In the second reporting period, we have:

1. continued to conduct due diligence on customers and suppliers;
2. adopted a risk-based approach for selecting and reviewing suppliers, if a supplier falls into certain criteria, a Supplier Code of Conduct and a Supplier Questionnaire will be issued during the onboarding process; and
3. selected a suite of modern slavery contract clauses to be incorporated to supplier agreements to ensure the suppliers' compliance with the modern slavery requirements.

Policies and procedures

For CMB, integrity and ethical conduct are the cornerstones of our business. The Bank has a range of policies and governance frameworks in place which assist us to mitigate the modern slavery risks in our business:

- Our *Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) Program*, which is inclusive of a *Customer Risk Assessment* methodology and a *Transaction Monitoring Program*, sets out our risk-based controls in managing the risk of facilitating money laundering and terrorist financing in our business activities. Criminal activities such

as human trafficking are often a predicate offence to money laundering, therefore our comprehensive AML/CTF controls would assist us in mitigating the risk of modern slavery.

- Our *Code of Conduct and Ethics* sets out the standard expectation of employees at all levels. Employees must act honestly, fairly and exhibit high ethical standards, as well as perform duties responsibly, honestly, diligently and with good judgment. Involvement or even attempted involvement in dishonest or unethical activity, such as involvement of modern slavery or human trafficking, is unacceptable and would be subject to investigation and disciplinary actions.
- The *Code of Conduct and Ethics* also introduces a *Whistleblowing Program* that outlines the circumstances under which a person may raise genuine concerns in relation to improper conduct (e.g. unethical or illegal conduct which may involve dangers to the public), the avenues for doing so, the protection available for this individual (e.g. Whistleblowers are protected from victimisation and can remain anonymous), and the investigation and resolution process.
- Our Human Resources policies, including *Work Health and Safety Policy*, *Employee Handbook*, and *Remuneration Policy* emphasize that the welfare of employees is our top priority. These policies outline our commitment to provide and maintain a fair, inclusive and harm-free working environment for employees, and consult with them to take account of their views of work health and safety. They also describe our employees' entitlements to fair and merit-based recruitment and selection decisions, work free from discrimination, bullying and sexual harassment, and freedom to raise issues or to make an enquiry or complaint without being victimised. Management also have the overall responsibility to model good behaviour by performing appropriate standards as well as intervening to stop inappropriate behaviours when they become aware of them. Moreover, mechanisms and processes are in place to handle employee complaints and resolve workplace grievances.

In the second reporting period, we have implemented a Modern Slavery Policy in Australia to specifically address modern slavery risks. This policy

outlines our commitment to mitigate the risk of modern slavery in our operations and supply chains, and arrangements with suppliers with whom we conduct business. It sets out different stakeholders' roles and responsibilities in managing modern slavery risks, and regulatory requirements on submitting Modern Slavery Statement.

Training

We understand that education of employees and management are important in ensuring awareness of modern slavery risks. The Bank's current onboarding and refresher training program provide employees with training in a range of areas, including Work Health and Safety and Code of Conduct. The training sessions cover topics on Whistleblowing, incident reporting, workplace bullying and environmental, social and governance matters.

In addition, we actively communicate with our training providers and consult with our employees on new training ideas to raise greater awareness.

In the second reporting period, we continue to provide modern slavery training to both new employees and existing employees, which will raise awareness and educate our employees on how to identify and manage modern slavery risk.

5. Assessing the effectiveness of our actions

The Bank will continue to integrate modern slavery compliance obligations into our risk and compliance assessment framework. Numerous controls are embedded in our policies, procedures and processes which have the effect of mitigating modern slavery risks, e.g. in the areas of customers, outsourcing and onboarding of service providers. We are committed to evaluating the effectiveness of our actions by periodic review of the relevant policies, procedures and controls, and further enhancements where necessary.

In order to enhance the Branch's overall modern slavery risk management framework, in the second reporting period, we completed our first annual Modern Slavery Risk Assessments. In the assessment, we reviewed the inherent risks on four risk categories including sector and industry risks, product and services risks, geographic risks and entity risks, and identified

controls with control effectiveness being assessed. Based on the assessment, the residual risk ratings are low in all four risk categories.

The Bank will continually assess the effectiveness of our actions in identifying and managing modern slavery risks through annual risk assessment, and based on the outcome of these assessments we will strengthen our management in relation to modern slavery risk.

6. Consultation Process

The Bank does not itself own, operate or control any sub-branches or subsidiary entities in Australia and therefore this criteria is not applicable.

However, we communicate closely with relevant parties through various channels in the context of the Modern Slavery Act. Furthermore, the consultation also includes an Employee Satisfaction Survey as a channel for employees to provide feedback and raise concerns.

7. COVID-19 Pandemic and our focus in FY2022

The COVID-19 pandemic has brought challenges to everyone around the globe including our businesses, customers and counterparties. The pandemic may amplify modern slavery risks, such as increased vulnerability of workers in the context of such an unprecedented event. Throughout the pandemic, the Bank has sought to respond to heightened risks arising from different areas, including modern slavery risks, in a socially responsible manner.

In response to COVID-19, we continue to identify and mitigate heightened risks in our operations and supply chain. Our priority is to ensure the wellbeing of our employees and customers. The Bank has taken numerous measures to safeguard our employees, including establishing effective communication channels, reviewing our facilities, systems and procedures, introducing remote work arrangements, etc. On regular basis and/or whenever necessary and appropriate, we also distribute to our employees and customers disinfection and protective items, e.g. face masks, cleaning sprays and hand sanitizers, etc.

Moving forward to 2022, the Bank will continue to assess our practices and enhance our engagement with customers, employees and suppliers to raise

their awareness, as well as to mitigate any potential risk of modern slavery and human trafficking in our operations and supply chain.

8. Approval and Signing

This statement was approved by Mr. LI Delin in his role as the principal governing body of China Merchants Bank Co., Ltd., Sydney Branch (Senior Officer Outside Australia - SOOA).


_____ (Signature)

Mr. LI Delin

Senior Officer Outside Australia (SOOA)

China Merchants Bank Co., Ltd., Sydney Branch

Date: 2022.5.24

