

## **Modern Slavery Statement 2022**

*Financial year ending 31 December 2022*

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 2022.

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 “compliance first, compliance creates value, compliance starts at the top”, which are deeply rooted in the compliance culture created and inherited by our employees.

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, AML/CTF 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.

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 third reporting period, we have:

1. continued to conduct due diligence on customers and suppliers; and
2. continued to adopt the risk-based approach for selecting and reviewing suppliers, utilising the Supplier Code of Conduct and the Supplier Questionnaire. will be issued during the onboarding process; and
3. continued to utilise a suite of modern slavery contract clauses for 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.
- Our *Modern Slavery Policy* 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.



In the third reporting period, we continued to comply with the abovementioned policies, and we have also set up testing attributes in the assurance testing to ensure the effectiveness of internal policies and processes.

## **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 Modern Slavery, Work Health and Safety, and Code of Conduct. The training sessions cover topics on modern slavery prevention, 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 third 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 Bank's overall modern slavery risk management framework, in the third reporting period, we have introduced an annual assurance testing on the Branch's suppliers modern slavery risk management and the testing conclusion is satisfactory.

We continued to conduct the annual Modern Slavery Risk Assessments to review 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 assurance testing, and based on the outcome of these assessments and testings 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 2018* (Cth). Furthermore, the consultation also includes an Employee Satisfaction Survey as a channel for employees to provide feedback and raise concerns.

## **7. Our focus in FY2023**

Moving forward to 2023, the Bank expects to 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. Further training is also planned across the Bank regarding modern slavery and escalation process such as whistleblowing and incident reporting.

## 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: 2023.06.07