



HSBC Australia Modern Slavery Statement 2020

Publication date: 18 June 2021

About HSBC

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

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)*:

- HSBC Bank Australia Limited (**HSBC Australia subsidiary**) – a locally incorporated and regulated authorised deposit-taking institution wholly owned by (but 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;
- 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 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), with its registered address at Level 36, Tower 1, International Towers Sydney, 100 Barangaroo Avenue, Sydney NSW 2000,

(HSBC Australia subsidiary and HSBC Australia branch are collectively referred to in this document as '**HSBC Australia**', unless where otherwise noted).

HSBC Australia subsidiary has one wholly owned nominee company, HSBC Custody Nominees (Australia) Limited. This entity is a nominee only and is included in this document as an entity being owned or controlled by HSBC Australia subsidiary.

HSBC Group employs about 226,000 full-time equivalent staff. Its global businesses serve more than 40 million customers worldwide through a network that covers 64 countries and territories in Europe, Asia, North America, Latin America, and the Middle East and North Africa.

HSBC Group has three global businesses – Wealth and Personal Banking, Commercial Banking and Global Banking and Markets – supported by specialist global functions. All three global businesses operate in Australia.

HSBC Australia subsidiary was established in 1965 and offers an extensive range of financial services through a network of 45 branches and offices across five Australian states and one territory. Its 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 customers including mid-market companies, multinationals and international subsidiaries. Global Banking and Markets provides financial services and products to corporates, financial institutions and public sector clients.

As at 31 December 2020, HSBC Australia has about 1,800 full-time equivalent staff, and procures goods and services from more than 250 suppliers. These suppliers are mostly large and well-established. They are based mainly in Australia, but some have overseas operations from which we procure goods and services. These overseas operations include but are not limited to Asia, Europe and the US.

Further detail on the structure and performance of HSBC Group can be found in the Strategic Report section of its Annual Report and Accounts 2020, 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 first Statement under the Australian *Modern Slavery Act 2018 (Cth)* (referred to as the '**Act**'). 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 [fifth statement](#) issued by HSBC Holdings plc with respect to modern slavery and human trafficking.

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 2020.

We report on steps that HSBC Group and HSBC Australia are taking to improve our approach to identifying, assessing and managing modern slavery-related risks in our operations and supply chain. Furthermore, this Statement examines some of the 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 Group level.

Approach

How we do business is as important as what we do: we want trusting and lasting relationships with our many stakeholders, with the aim of generating value in society and delivering long-term shareholder returns.

HSBC Group is guided by the International Bill of Human Rights and supports the United Nations (**UN**) Universal Declaration of Human Rights. We also support the principles that underpin fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work – freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.

HSBC Group is a signatory to or has expressed public support for the:

- ◆ Global Sullivan Principles;
- ◆ Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises;
- ◆ UN Global Compact;
- ◆ UN Principles for Responsible Investment; and
- ◆ UN Principles for Sustainable Insurance.

Modern slavery and human trafficking are crimes. The criminals responsible may seek to launder their proceeds through the financial system to legitimise them, and banks have a responsibility to deter, detect and prevent illicit use of the financial system by criminals.

HSBC Group views modern slavery and human trafficking as egregious examples of human rights abuses. In line with the UN's Protect, Respect and Remedy framework, HSBC recognises the duty of nations to protect human rights and the role businesses play in respecting human rights. As described in our Statement on Human Rights, available on the ['ESG reporting and policies'](#) section of our Group website, human rights issues are complex and the roles and responsibilities of businesses and other stakeholders are the subject of continuing international dialogue.

HSBC continues to develop our approach to human rights, and our policies and procedures are under constant review. We are refining our framework for supply chain due diligence and remediation to bring more structure and consistency across the HSBC Group.

The sections below set out how we approach the issues of modern slavery and human trafficking, both in this wider human rights context and also in our commitments to protect the integrity of the financial system in which we operate.

Managing and assessing modern slavery risks

HSBC Australia considers that we are exposed to the risk of modern slavery within our operations – albeit this risk is relatively low as our operations involve mainly the provision of financial products and services (including lending and project financing) to customers. The skills and location of our staff also mitigate against these risks.

In our supply chain, including when outsourcing and in the procurement of goods and services, there are certain industries, commodities and geographies that are considered higher risk for modern slavery. We had no direct knowledge during 2020 of modern slavery taking place in any of our outsourced services or in the procurement of goods or services. HSBC Australia therefore considers that, in 2020, we had reasonably effective ways in which we were able to prevent and control the risks of modern slavery occurring in our businesses or supply chain. But

we are aware that certain geographies and industries have a heightened risk of such practices, and that our ability to improve the management and prevention of those risks is ongoing.

HSBC Australia Holdings is a non-trading entity, and therefore we have assessed the risks of modern slavery in this entity to be low.

We set out further below how we have assessed and managed these risks to date, across our people, our customers, and in our supply chain (including our outsourcing and procurement practices).

People

Preventing discrimination and harassment

HSBC's commitment to respect human rights in the workplace is embedded in our [HSBC Values](#) and set out in HSBC Group global policy. HSBC requires all employees to treat colleagues with dignity and respect, creating an inclusive environment. Employees receive training on a variety of human rights related issues, including diversity and inclusion, bullying, harassment and racism.

HSBC Australia has a grievance procedure through which employees can raise work-related complaints. But we understand there are circumstances where people may feel the need to raise concerns more discreetly. HSBC Confidential, our global whistleblowing platform, allows our people, past and present, to raise concerns in confidence and, where preferred, anonymously. HSBC Confidential can be accessed in various ways, including telephone hotlines, online portals and email.

Employee voice

We listen to feedback from our employees provided through surveys and two-way forums. We encourage all managers to hold regular staff meetings so they listen to employees and record their views. Our executives engage direct with employees to ensure that workforce engagement and the employee voice are considered at board level.

Freedom of association

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. During organisational change, we will engage in appropriate consultation with our people and seek to redeploy where appropriate.

Pay

HSBC Australia's reward strategy acknowledges that remuneration is one part of a comprehensive employee value proposition which is complemented by other factors such as organisational values, career development, meritocracy and attractive benefits. 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. This strategy recognises people who are committed to the sustainable long-term performance of HSBC in the interests of our shareholders and other stakeholders.

In 2019, in Australia, the Banking, Finance and Insurance Award 2010 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 this Award, including an annual reconciliation of hours worked to ensure that we are paying at or above Award rates.

Supply chain

HSBC Australia procured goods and services from 268 suppliers as at 31 December 2020. Suppliers fall into different categories, including information technology (IT) services, resource management services and banking operations support. These suppliers are mostly large and established organisations. They are based mainly in Australia, but some have overseas operations from which we procure, including but not limited to Asia, Europe and the US. In terms of spend, the most material suppliers provide corporate real estate services, marketing and communications and professional services.

Business categories

| | |
|------------------------------|-----|
| Banking operations | 46 |
| Card services | 18 |
| Corporate real estate | 8 |
| HR and resourcing | 49 |
| IT services | 58 |
| Marketing and communications | 31 |
| Professional services | 35 |
| Risk services | 23 |
| Total number of suppliers | 268 |

Registered suppliers

| | |
|---------------------------|-----|
| Australia | 234 |
| Hong Kong | 6 |
| Israel | 1 |
| Malta | 1 |
| Netherlands | 1 |
| Singapore | 7 |
| United Kingdom | 13 |
| United States | 5 |
| Total number of suppliers | 268 |

Category of spend (%)

| | |
|--------------------------------------|--------|
| Corporate real estate | 26.27 |
| Marketing and communications | 17.18 |
| Professional services | 15.67 |
| HR and resourcing | 13.14 |
| Application software and IT services | 6.88 |
| Card services | 5.32 |
| Other | 15.54 |
| Total | 100.00 |

Policy, risk and remediation

HSBC Australia's contracting process with suppliers includes requirements on them to meet our [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services \(Supplier Code\)](#). This has been updated to take account of revised legislation on disability rights, modern slavery and human rights. HSBC expects suppliers to respect the human rights of their employees and the communities in which they operate and to comply with all relevant legislation, regulations and directives in their respective countries. Our Supplier Code prohibits the use of forced labour and child labour, and respects labour rights including non-discrimination and the right to freedom of association. Workers, whether they be local or migrant, must also have the right and ability to leave employment when they choose, to the extent possible under local law.

We work collaboratively with our supply chain partners on sustainability issues, including modern slavery. If a supplier is found no longer to be in compliance with our Supplier Code, we propose to work with them on an improvement plan or, if deemed necessary, suspend or terminate the relationship.

In 2019, we strengthened our position, by introducing standard contractual clauses that formalise the commitment to the Supplier Code. The clauses support our existing right to audit our suppliers in various circumstances. Internal guidance was published to ensure a consistent approach to articulation and, where appropriate, negotiation of these clauses.

In 2020, we increased the use of these clauses in our supplier population as contracts were re-tendered or renewed.

In August 2020, the Supplier Qualification Review process was introduced with negative news screening across 23 environmental, social and governance (**ESG**) risks.

In 2020, ESG negative news screening was introduced for new suppliers with a contract value greater than USD500,000. Screening is conducted across 23 ESG risks including:

- Human rights abuses and corporate complicity;
- Forced labour;
- Child labour;
- Discrimination in employment;
- Occupation, health and safety issues;
- Poor employment issues;
- Corruption;
- Bribery;
- Extortion; and
- Money laundering.

Any issues identified are investigated to determine if they would prevent HSBC from proceeding with a supplier because of a negative impact on HSBC or because the identified risks do not align with our Supplier Code. In addition, a mandatory financial crime risk review of activity is conducted. This review seeks to identify any activity that may be associated with, or a predicate offence to, money laundering or the financing of terrorism, including but not limited to bribery, corruption, financial crime, trafficking, organised crime, money laundering, the financing of terror and tax evasion.

Each material supplier is allocated a Third Party Engagement Manager (**TPEM**) who is an HSBC employee from the relevant global business or function responsible for the management of the service received. Training is performed for TPEMs on third party risk management topics, and, more recently, training was conducted for supplier onboarding in February 2021.

At 31 December 2020:

- 100% of suppliers have been assessed against the financial crime process.
- 18% of suppliers have been assessed for ESG risks. A retrospective risk review will continue across all applicable suppliers
- 95% of suppliers have accepted our Supplier Code. Where a supplier does not, they may have their own code of conduct, or we may choose to accept the risk of not having a code of conduct. We do not choose to accept the risk in respect of any suppliers who may be categorised as 'high risk' by HSBC Australia.

Customers

The main aim of the UN Guiding Principles is to prevent human rights abuse. HSBC Group seeks to ensure the financial products and services we provide to our customers do not result in an unacceptable impact on people or the environment. HSBC is also a signatory to the Equator Principles, which are underpinned by the International Finance Corporation's Performance Standards, and which focus on issues including land rights, child labour, forced labour and the rights of indigenous and local communities. Additionally, our financial crime teams actively seek to identify the proceeds of potential human rights abuses to inform law enforcement and take 'bad actors' out of the financial system.

HSBC Group's Statement on Human Rights, available on the ['ESG reporting and policies'](#) section of our Group website, outlines the main ways in which human rights considerations are addressed in our lending and project financing. HSBC has, since 2002, developed sustainability risk policies incorporating specific standards to be met, and we have worked with our customers in those sectors which present the highest social and environmental risks, with the aim of driving up their own standards to meet these policy requirements. Social risks refer to unacceptable impacts on people, including abuse of human rights, such as forced labour.

HSBC's sustainability risk policies apply to the main financing products our firm provides to business customers, such as loans, trade finance and debt and equity capital market services. Our sector policies for agricultural commodities, energy, forestry, mining and metals all make specific reference to social or human rights considerations. These include – either direct or via their underlying standards – issues such as forced labour, harmful or exploitative child labour, trafficking, land rights, the rights of indigenous people such as 'free prior and informed consent', workers' rights and the health and safety of communities.

In the forestry sector, for example, our policy for financing forest plantations and downstream supply chain operations, which are located in or sourced from high-risk countries, is linked to certification by the Forestry Stewardship Council (**FSC**) or the Programme for the Endorsement of Forest Certification. Through our membership of international certification schemes such as the FSC, the Roundtable on Sustainable Palm Oil and Equator Principles, we actively support the continual improvement of standards aimed at respecting human rights. For the specific details of our policy prohibitions and other financing restrictions, see our sector-specific [sustainability risk policies](#) on the HSBC Group website.

HSBC Australia's relationship managers are the primary point of contact for our customers, and are responsible for checking whether our customers meet applicable policies. They are supported by a local sustainability risk manager who has local responsibilities for advising on and overseeing the management of environmental and social risks. Sustainability risk managers are supported by Group Sustainability Risk, a central team responsible for developing policies, guidance, training and overall policy compliance.

In addition, in 2020, HSBC Group started to screen certain wholesale customers for ESG risks within our reputational risk and client selection governance processes, including in Australia. In certain cases, we access independent ESG news data from a specialist vendor to help us build a clearer picture on whether such customers are acting responsibly on ESG issues, including modern slavery and human trafficking.

Protecting the financial system

HSBC has a fundamental responsibility to help protect the integrity of the financial system.

Our Compliance function continues to use leads, investigations, analytics and technology via its public and private partnerships, with the aim of identifying, mitigating and deterring financial crime. This enables HSBC proactively to identify gaps, trends and emerging risk issues to help ensure that our services are protected from exploitation.

Identifying and disrupting illegal activity

Our Compliance function's analytical and investigative work enhances our ability to identify, monitor and disrupt the methods used in criminal activity, and the resultant laundering of proceeds through the financial system. This includes using rules-based systems to highlight unusual or suspicious activity, which could indicate instances of modern slavery and human trafficking, for further investigation. These rules have proved successful in identifying potential illicit activity, resulting in account closures and referrals to law enforcement, as appropriate.

We identify potential indicators of modern slavery and human trafficking through open source reporting and engagement with law enforcement, as well as our own investigations. Examples of these indicators include:

- Proceeds of modern slavery and human trafficking laundered through cash intensive businesses or transferred via informal networks.
- Payments to individuals from sources to which they have no clear connection, especially in locations where people trafficking has been identified.
- High volume of credit card authorisations for accommodation or vehicles with no subsequent charge, which may indicate that payments were made in cash.
- Activity that suggests one bank account is being used for the living costs of a large number of individuals.

Working in partnership

HSBC is a strong proponent of public-private partnerships and information sharing initiatives. We play an active or founding member role in public-private partnerships in numerous jurisdictions around the world, and, where permissible by law, work cooperatively with other participants in the global financial system to share information to combat financial crime, including that related to modern slavery and human trafficking.

In the UK, for example, HSBC continues to be a leading member of the Joint Money Laundering Intelligence Taskforce. One of its key operational priorities is “*understanding and disrupting the funding flows linked to organised immigration crime and human trafficking*”. Further information and reporting on its work is available on the [UK National Crime Agency website](#).

HSBC participates in the UK Home Office’s Business against Slavery Forum, which brings together business leaders in the UK who are committed to pioneering industry action to eradicate modern slavery from supply chains.

HSBC works collaboratively with non-governmental organisations (NGOs) and think tanks, and, in Europe, has a focus on Pan-European committees concerned with identifying and policing human trafficking risks. Throughout 2020, HSBC participated in joint law enforcement and civil society conferences. We meet or exchange correspondence with NGOs and civil society groups when they raise concerns related to HSBC customers, and attend the UN Business and Human Rights Forum in Geneva and the UN Global Compact’s UK Modern Slavery Working Group.

HSBC remains involved with the Thun Group of banks, whose primary purpose is further to understand the UN Guiding Principles on Business and Human Rights within the context of banks, and to consider how they may be applied across the range of different banking activities.

In Hong Kong, The Hongkong and Shanghai Banking Corporation Limited continues to draw on informative toolkits and reports by non-profit organisation partners, including the Mekong Club and Liberty Shared. HSBC is an active member of the Mekong Club’s financial services working group, including during the COVID-19 pandemic. These alliances are collaborative efforts that focus on highlighting specific criminal typologies as they affect the regional geographies, as well as the unique sourcing, movement or exploitation of individuals within that region.

Locally, HSBC Australia is a member of the Fintel Alliance, a private-public partnership of 29 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.

Education and awareness

HSBC Group is committed to raising awareness of the issues of modern slavery and human trafficking with our employees. We believe in continuous education and in ensuring that our frontline staff in particular are equipped with the right tools and training to be effective in their roles.

In Australia, we propose to facilitate training to increase awareness of modern slavery for staff of HSBC Australia on a role-prioritised basis.

Governance and monitoring effectiveness

A modern slavery working group was created drawing upon resources from a number of functions within HSBC Australia, as well as 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 HSBC Group’s Statement of 23 February 2021 and was considered and accepted by various stakeholders with whom HSBC Australia and HSBC Australia Holdings consulted in order to develop this Statement, including 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 and the Senior Officers of HSBC Australia branch.

On an ongoing basis, modern slavery risk review and continuous improvement as they relate to HSBC Australia’s supply chain will be managed via an existing HSBC Australia third party forum. The modern slavery working group will also remain in operation to maintain continuous improvement on our approach to, and assess our effectiveness of responding to, modern slavery risks across HSBC Australia’s broader operations, as well as support HSBC Australia and HSBC Australia Holdings in delivering the annual Statement.

Improving our Statement over time

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

- Conducting a risk assessment of our supply chain that will include mapping additional potential modern slavery risks that may exist within all tiers of the HSBC Australia supply chain, taking into account the type of service and the geographical location.
- Reviewing standard contract terms and requests for proposal templates to include new requirements arising out of the Act (where not already included).
- Continuing to assess the modern slavery risks in our customer relationships, including in our lending and provision of financial products and services.
- Carrying out training to increase awareness and understanding of modern slavery risks across HSBC Australia on a role-prioritised basis.

This Statement was approved by the Board of HSBC Australia subsidiary on 9 June 2021, the Board of HSBC Australia Holdings on 15 June 2021 and Senior Officers of HSBC Australia branch separately on 27 May 2021 and 10 June 2021.



Kaber Mclean,

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; and
- HSBC Australia Holdings Pty Limited.