

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT BY UNIONPAY INTERNATIONAL CO., LTD

INTRODUCTION

UNIONPAY INTERNATIONAL CO., LTD (hereinafter referred to as “we”) is a Chinese corporation based in Shanghai, China. Its Australian Branch (“Australian Branch”) is a foreign company in Australia, providing and developing bank card services and payment products. It is a foreign registered entity (ABN 27 600 782 125 002) and now has 25 employees.

We are committed to combatting the growing problem of modern slavery, human trafficking, and child labor, which can often be hidden deeply within supply chains. We believe that the crime of modern slavery is a fundamental violation of human rights and we take our duty to assess and address the risks of modern slavery we encounter or possibly will encounter in relation to our operations, stakeholders, clients, partners and suppliers. We are dedicated to creating social as well as commercial value, giving back to society and working towards a better world.

OUR STRUCTURE AND OPERATIONS

We are a subsidiary of China UnionPay and are focused on the growth and support of UnionPay’s global business. We provide high quality, cost effective and secure cross-border payment services to the world’s largest cardholder base and ensures convenient local services to a growing number of global UnionPay cardholders and merchants. By the end of 2020, we have established partnerships with more than 2,400 institutions worldwide and enabled card acceptance in 180 countries and regions with issuance in 68 countries and regions. We have over 800 employees worldwide.

We provide a variety of products and services. For example, we settle daily with UnionPay card issuers and acquirers, including in relation to customer trading funds by card, cash withdrawals at ATMs, transaction-related fees and dispute transaction amounts. Settlement procedures include:

- Authorization - transmission and exchange of online messages among issuers and acquirers;
- Clearing - generation and provision of files and reports; and
- Settlement - transfer and notice of settlement funds.

We also provide innovative products such as UnionPay Card Products and other services.

As of December 2020, we had 27 branches in Hong Kong Special Administrative Region, Southeast Asia, Europe, South Pacific, South Korea, Japan, Middle East, Africa, and Central Asia and 4 subsidiaries in Indonesia, Brazil, Mexico, and Russia.

CONSULTATION

This statement has been prepared after consultation on modern slavery issues with our senior

management and our branch. Our global head office communicates closely with its branches and subsidiaries on regulatory, risk and compliance issues to implement its risk management framework effectively across the business. We have policies and processes in place to ensure that our global operations are in line with our commitment to social responsibility and all applicable laws both on a local and global level.

RISKS IN OUR OPERATIONS AND SUPPLY CHAINS

We, as a payment services provider, employ highly-qualified professionals in our operations and retain diligently vetted supply chains. There is therefore likely to be a relatively low risk of modern slavery in our operations.

However, we have identified some risks that modern slavery practices may exist in our operations or supply chains:

- As mentioned above, we have branches and employees located all around the world, including in countries or regions that are ranked as higher-risk according to the Global Slavery Index (such as some countries in Africa and South America);
- Some of our employees are migrant workers. However, we ensure that all applicable labor laws or regulations are complied with;
- To the best of our knowledge, we do not employ low-paid workers and do not outsource key services or functions to companies based in countries or regions with high risks of modern slavery. While some of our IT support functions are outsourced, all such outsourcers are based in Shanghai;
- While we do not manufacture products that have complex supply chains or components that are associated with higher risks of modern slavery, such as computers or batteries, however we do procure these goods from suppliers. There is therefore likely to be modern slavery risk associated with these products in our downstream supply chain;
- Some of our suppliers may be based in countries or regions that are ranked as higher-risk according to the Global Slavery Index or which have not signed up to international agreements against slavery. However, we have strict procurement procedures both on company and branch levels to ensure that we only procure goods from suppliers who have strong reputations and sufficient qualifications. Moreover, we hardly have any suppliers in high-risk sectors, such as manufacturing, textiles, construction, etc. We scarcely procure any textiles or require any specific uniforms, nor do we do any construction because we lease existing premises for office space;
- We do not engage with suppliers that have been publicly associated with modern slavery or serious labor violations. As discussed below, we maintain supplier due diligence processes that include assessments of regulatory risk. However, we acknowledge that modern slavery may be hidden deeply within supply chains and may not always be publicly reported;
- We understand that our workforce may include workers with base-skilled labor roles, with immigration visas and who have Mandarin or English as their second language. These workers may need additional support and information regarding potential human rights and modern slavery risks, and we recognize our role in assisting with

this.

ACTIONS TAKEN TO ADDRESS RISKS

Our Approach to Preventing Modern Slavery

As modern slavery risks may be encountered by our business units, we aim to act ethically and with integrity in all our business relationships. We have designed and implemented an overarching framework and procedures in our business that aims to keep our operations and supply chain in compliance with laws and regulations as much as possible. Our global policies and procedures require the company and its employees to comply with all relevant laws and regulations, regulatory provisions, industry standards and business practices. Our Australian Branch also has its own Procurement Policy which outlines the principles regarding the acquisition of all goods and services at Australian Branch. And it describes the authorization process, procurement framework, process overview, supplier evaluation criteria and it applies to all third party supplied goods and services provided to Australian Branch.

Addressing risks in our Operations

Our internal approach to modern slavery involves:

- Setting the bar high for the work we do and the way our employees behave. We implement internal employment management regulations which require employees to observe all applicable laws and regulations. We also specifically prohibit such behaviours as discrimination, bullying, sexual harassment and victimisation in those countries or regions where those behaviours are particularly prohibited by local applicable laws or regulations. These policies set out our minimum expectations of employees. And such scheme also protects employees' right to a safe workplace and takes account of employees' views on workplace health and safety. We show consideration and empathy, live by our values, and in this way, we create an open, supportive culture where people can flourish, do their best work and feel supported to escalate concerns they may have about our business or suppliers.
- We are also clear on how we treat unacceptable behaviour, so we can continue to protect the culture we have built. Unacceptable behaviours include, without limitation, failure to participate in anti-money laundering training or other mandatory training without proper reasons; failure to comply with any legal or regulatory requirements, or violation of company policies.
- We protect our employees through our employment management policies. All of our employees are paid in accordance with legal requirements. We have contracts with our employees and employees have the ability to leave their employment at any time subject to notice periods and in compliance with legal requirements and/or employment agreements.

- We also have **anti-money laundering (AML) rules**, policies, measures and processes in place to monitor transactions and prevent the use of UnionPay cards by criminals to transfer money. As modern slavery and human trafficking are associated with cross-border flows of criminal profits that require laundering, our strong AML framework is an important aspect of how we mitigate the risk of being linked to modern slavery. We conscientiously perform AML responsibilities such as customer identification, risk classification, suspicious transaction monitoring and reporting. We continue to optimize our AML management system by acting on the results of internal evaluations and regulatory opinions, improve our AML organizational structure, carry out AML risk assessments, and improve the technical support ability of AML compliance management. We require issuers and acquirers to abide by all rules, policies and procedures to ensure their compliance with applicable laws and regulations of the countries or regions where they conduct business, and to establish AML policies and take measures to prevent and combat money laundering.

Addressing risks in our Supply Chains

We have an extensive supply chain to power our business and help our customers. Our suppliers support us in a wide range of areas including recruitment, compliance, marketing, technology, card production, facilities management and banking.

In Australia, the majority of our suppliers are based locally and are subject to procurement procedures both on company and branch levels. In addition to carrying out initial due diligence on new suppliers, as summarised below, we reassess our critical suppliers on an ad hoc basis to ensure they continue to be the best fit for our business. As we develop and seek internal approval of a Modern Slavery Policy in our Australian Branch, we will explore mechanisms to incorporate modern slavery considerations within our supplier due diligence process.

As part of our initiative to identify and mitigate risk, we have in place due diligence processes to identify and assess our potential risk areas and those in our supply chains. These include:

- Carrying out due diligence on new suppliers, including an assessment as to whether the supplier or its supplier chain has any regulatory risk factors. Our Qualitative Evaluation of Supplier Evaluation Criteria of Australian Branch Procurement Policy includes capacity and professional abilities of personnel involved in service delivered by suppliers, and statutory compliance of such suppliers. Our Australian Branch is also planning to introduce measures to require suppliers' compliance with applicable modern slavery laws.
- Monitoring potential risk areas in our supply chains by reviewing our relationships with suppliers on an ad-hoc basis, relative to their level of overall risk to us. If the risk triggers certain threshold, measures such as termination of cooperation or infringement action might be taken against suppliers.

Continuous Training

Staff training is an important mechanism to raise awareness of modern slavery risks. We require all existing staff to complete mandatory initial and ongoing training on anti-money laundering and counter terrorism-financing, anti-corruption and bribery, sanctions, information security, personal data protection, code of conduct and other relevant financial crime areas on regular basis. We also conduct ad-hoc training regularly for all related business units based on the industry expectations and trends.

Our Future Outlook in Combating Modern Slavery

We will continue working to increase employee awareness to modern slavery and human trafficking risks. Therefore, we will continue to engage with all our employees, clients, partners, contractors, and suppliers to manage and mitigate the risks within our operations and supply chains. We will enhance employment practices that relate to modern slavery if and where required.

Through the development and implementation of the Modern Slavery Policy in our Australian Branch, we will assess our outsourced services to ensure our policy objectives and contractual requirements are being enforced.

We have adopted all necessary remote working arrangements in COVID-19 affected countries or regions. This has included allowing employees to work remotely, work-from-home where appropriate, and introducing shift work among employees to limit workers' vulnerability to ensure their wellbeing. We have done our best to avoid mass layoffs or supply chain disruptions that would worsen modern slavery risks, as well as causing service disruptions of UnionPay cardholders. We have established communication channels and mechanisms to ensure audits could continue during the pandemic.

ASSESSING THE EFFECTIVENESS OF OUR ACTIONS

We will track our actions and assess our progress which include the following measures:

- reviewing and auditing our existing policies and procedures;
- tracking the development and implementation of the Modern Slavery Policy in Australia;
- tracking the number of the suppliers that we have performed due diligence on;
- tracking the number of employees who have received training; and
- rolling out modern slavery policies and due diligence processes across the Australian Branch.

APPROVAL

This statement has been developed by our working group, discussed and approved by the company board, and signed by our Board Member & Vice President.

Name: Larry Wang

Signature: 

Title: Board Member/Vice President

Date: 09/09/2021