

HSBC Modern Slavery and Human Trafficking Statement 2018

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About HSBC

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. HSBC employs approximately 235,000 people to serve around 39 million customers worldwide from approximately 3,900 offices in 66 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of \$ 2,558bn at 31 December 2018, HSBC is one of the world's largest banking and financial services organisations. The Group has four global businesses – Retail Banking and Wealth Management ('RBWM'); Commercial Banking ('CMB'); Global Banking and Markets ('GB&M'); and Global Private Banking ('GPB') – supported by 11 global functions. Further detail on the structure and performance of the Group can be found in the Strategic Report section of the Annual Report and Accounts 2018 which was published on 19 February 2019 and is available on the Group [website](#).

Context

This statement is issued by HSBC Holdings plc and covers the policies and procedures that are applied across the HSBC Group, under the provisions of the Modern Slavery Act 2015 (the 'Act') and with reference to the guidelines issued by the Home Office: *Transparency in Supply Chains - A practical guide*, as amended in 2017.

The statement covers all HSBC Holdings plc subsidiary companies which are subject to the provisions of the Act; a full list of subsidiary companies is published in the Annual Report and Accounts (pp302-306).

We report on the steps HSBC takes and has taken to ensure that modern slavery does not take place in its own operations, its supply chains, through its lending or project financing. Furthermore, this statement continues to examine some of the ways in which HSBC works with the wider financial community and law enforcement agencies to act against modern slavery.

Our 2018 statement is our third report under the Act. We recognise that the ambition to eliminate human trafficking and modern slavery – often best described as 'forced labour' – has seen significant development in the past three years, but there is still much more to do to protect against these acts.

The changing regulatory and legislative landscape

We welcome the increased focus of governments around the world on the issues of modern slavery and human trafficking. There is promising legislation proposed or enacted in Canada and Australia, to name a few, as well as the provisions of the French Loi de Vigilance. As a firm, we welcome international coherence and mutual recognition to help mobilise global efforts as well as to prevent good legislative intentions from being undermined.

Approach

How we do business is as important as what we do: we want trusting and lasting relationships with our many stakeholders, to generate value in society and deliver long-term shareholder returns.

HSBC is guided by the International Bill of Human Rights and supports the United Nations (UN) Universal Declaration of Human Rights and the underpinning principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, including freedom of association.

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

- ◆ The Global Sullivan Principles;
- ◆ The OECD Guidelines for Multinational Enterprises;
- ◆ The UN Global Compact;
- ◆ The UN Principles for Responsible Investment; and
- ◆ The UN Principles for Sustainable Insurance.

Slavery and human trafficking are crimes. The criminals responsible may seek to hide their proceeds in 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 views slavery and human trafficking as egregious examples of human rights abuses, and considers them very seriously in its overall approach to wider human rights issues. In line with the UN Guiding Principles on Business and Human Rights' *Protect, Respect and Remedy* framework, HSBC recognises the duty of nations to protect human rights and the role businesses play in respecting them. In our *Statement on Human Rights* published in September 2015, we stated, 'human rights issues are complex and the roles and responsibilities of businesses and other stakeholders are the subject of a continuing international dialogue. We are open and willing to engage in this dialogue where appropriate and constructive.'

In 2018, we continued to develop our approach to human rights and to incorporate new recommendations from initiatives such as the Organisation for Economic Cooperation and Development's (OECD) general Due Diligence Guidance for Responsible Business Conduct.

The below sections will cover how we approach the issues of slavery and human trafficking in this wider human rights context as well as within our commitment to implement the most effective financial crime controls everywhere we operate.

The commitments and policies referenced in this statement apply to all employees in HSBC's businesses and operations where we have management control and where national laws and regulations permit. In countries where national laws and regulations conflict with HSBC's policies contained in this statement or elsewhere, we will comply with the law but seek, within our spheres of influence, to raise awareness of human rights and act as an example of good practice through our own business conduct.

Progress in 2018

Employees

HSBC treats all employees with dignity and respect in an environment that is free from discrimination, harassment or any form of slavery-like practices. HSBC's commitment to respect human rights in the workplace is embedded within our [HSBC Values](#) and human resources policies and practices; all of which promote a safe, diverse and inclusive workplace.

HSBC employees are made aware of their employment rights through a variety of channels including: written employment contracts, employee handbooks and staff websites. These are also articulated in the HSBC Global Principles and HSBC Values Framework. Employees receive training on a variety of human rights related issues, including but not limited to: diversity, money laundering, supplier management and bribery and corruption.

HSBC encourages employees to be confident in speaking up. If employees see anything that goes against our Values, breaks the law, breaches our regulations or policies, or simply feels wrong - they are encouraged to speak to their line managers, HR or Compliance. If they feel unable to use one of these routes, HSBC operates HSBC Confidential, a disclosure channel (accessible in various ways such as online portal, telephone, post and email) which allows for the anonymous and confidential reporting of concerns which are independently investigated. We do not tolerate retaliation against anyone who raises concerns. Appropriate disciplinary action, which may include termination, is taken against those who engage in inappropriate conduct that is not consistent with our Values.

Minimum wage

HSBC continues to apply the legal minimum wage in all countries and territories where we operate. In 2014, HSBC in the UK was formally accredited by the [Living Wage Foundation](#) for having adopted the 'Living Wage' and the 'London Living Wage'.

Outsourcing

The most salient risk of encountering modern slavery for HSBC lies where HSBC does not have direct management control. In particular, this may include suppliers who provide support staff, for example, in catering, cleaning, construction or security posts. We have no direct knowledge during 2018 of modern slavery taking place within any of these outsourced services, however we are aware that certain geographies have a heightened risk of such practices.

HSBC has had an [Ethical and Environmental Code of Conduct for Suppliers](#) in place since 2005. It was updated in 2016 to take account of revised legislation on disability rights, modern slavery and human rights. HSBC requires 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. Suppliers must prohibit the use of forced labour and child labour and respect labour rights including non-discrimination and the right to freedom of association. They must also give workers, whether they be local or migrant, the right and ability to leave employment when they choose, to the extent possible under local law.

In the last two years (since March 2017) 5,860 suppliers have signed to adhere to this code.

Procurement

HSBC currently has circa 8,000 contracted suppliers globally. In 2017, we reported that processes had been developed to ensure all new suppliers were risk assessed against our Ethical and Environmental Code of Conduct for Suppliers prior to entering into a contractual relationship.

During 2018, we worked with Sedex, a third-party specialist to help identify suppliers across our global portfolio with potentially higher likelihood of labour rights issues based on geography and industry sector. We expect to complete a more detailed due diligence on these suppliers by 31 December 2020.

In 2019, HSBC will introduce clauses in supplier contracts relating to the right to conduct an audit and the right to terminate a contract where breaches of the Code of Conduct are discovered (including any indicators of the use of forced or child labour or any lack of respect for labour rights, which include non-discrimination and the right to freedom of association, including that workers, whether local or migrant, have the right and the ability to leave employment when they choose). In contract negotiations, we may also use the vendor's own ethical code of conduct where it is equivalent to our own.

We aspire to engage with suppliers who are on a credible path to meeting our standards, including those relating to modern slavery and human trafficking but, where a supplier is unable or unwilling to do so, we will look to end the relationship as soon as contractually possible, in line with UN and other guidance related to relationships where no reasonable alternative service exists.

We also partnered with three other banks to develop a common platform for due diligence risk data collection called 'Know Your Third Party' (KY3P). The platform enables more efficient and dynamic access to due diligence data for relevant employees involved in the ongoing management of suppliers. An update on the platforms uses and impacts will be provided in next year's statement.

Customers and clients

HSBC's Statement on Human Rights outlines the principal 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 by business customers operating in those sectors which present the highest social and environmental risks. 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, such as loans, trade finance and debt and equity capital market services. Project financing for agricultural commodities, energy, forestry, mining and metals all make specific reference to social or human rights considerations. These include – either directly 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. We are a signatory to the Equator Principles, which are underpinned by the International Finance Corporation's Performance Standards, which focuses on issues including land rights, child labour, forced labour, and the rights of indigenous and local communities.

We investigate credible allegations of human rights violations as they are reported to us via engagement with stakeholders. They are then raised directly with the client company by the Relationship Manager and, if necessary, escalated to Senior Management both within HSBC and at the client company, up to the senior executive level. Where required, individual customer relationships are referred to and reviewed by Reputational Risk and Client Selection Committees on a case-by-case basis. These reviews may decide to restrict or end a customer relationship where it is unwilling or unable to meet HSBC's standards, including those relating to modern slavery and human trafficking.

Protecting the financial system

HSBC has a fundamental responsibility to help protect the integrity of the financial system in which we all depend. Modern slavery and human trafficking are crimes and those responsible will seek to launder the proceeds in the financial system to legitimise them.

Tackling financial crime

HSBC's Financial Crime Threat Mitigation (FCTM) capability, is one of eight specialist capabilities within our Financial Crime Risk function which leverages intelligence, investigations, analytics, technology and public-private partnerships to deter financial crime.

This enables us to identify existing or emerging risk issues and financial crime quickly and effectively, to ensure that we are focused on how criminals seek to exploit our services in their pursuit of financial gain. In particular, we are analysing the types of activities that are likely to be a focus for, or a sign of, human trafficking and modern slavery.

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 partnerships in six locations and, where permissible by law, work cooperatively with other participants in the global financial system to share information in order to tackle financial crime, including that related to modern slavery and human trafficking. Some examples are shared below.

In the UK, HSBC is 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". Further information and reporting on JMLIT's work is available on the UK's National Crime Agency [website](#). In 2018, we continued to work with the JMLIT on issues including modern slavery and human trafficking, and this collaboration has led to successes including enabling the UK Police to actively pursue criminal groups engaged in this crime and to identify the victims and perpetrators. It also provided information which led to the prosecution of a criminal trafficking gang.

During 2018, we had meetings or exchanged correspondence with civil society groups where human rights abuses were alleged, none of which were related to modern slavery or human trafficking; we continue to attend the UN Business and Human Rights Forum in Geneva; and have joined the UN Global Compact's UK Modern Slavery Working Group, we also attended a pan-Europe working group meeting on identifying modern slavery and human trafficking in supply chains.

HSBC is involved in other collaborative efforts to identify modern slavery and human trafficking related offences, including taking a lead role with the Thomson Reuters Foundation as part of the European Bankers' Alliance (EBA). During 2018 we also collaborated with the US Bankers Alliance to produce a practical guide for banks on tackling human trafficking. The alliances are collaborative efforts that focus on highlighting the specific criminal typologies as they affect the regional geographies as well as the unique sourcing, movement or exploitation of individuals within that region. The EBA guide, published in July 2017, included case studies and examples of suspicious financial patterns that can be warning signs of criminal behaviour. The guide was endorsed by the Wolfsberg Group - further information is available at: <http://www.wolfsberg-principles.com/>

Public engagement and awareness-raising

HSBC has continued to participate in the Business against Slavery Forum – chaired by the UK Home Secretary – which brings together business leaders in the UK, committed to joining pioneering industry action to eradicate modern slavery from supply chains.

We work collaboratively with non-governmental organisations (NGOs) and think tanks and, in Europe, focus on pan-European committees which are concerned with identifying and policing human trafficking risks. Throughout 2018, HSBC has participated in joint law enforcement and civil society conferences.

HSBC remains involved with the Thun Group of banks, an informal group with the primary purposes of:

- i) furthering the understanding of the UN Guiding Principles on Business and Human Rights within the context of banks
- ii) considering how they may be applied across the range of different banking activities.

The Group has held a number of sessions specifically focused on the UK Modern Slavery Act. HSBC has also participated in informal meetings with other UK banks examining ways in which we can share best practice and learn from others' experiences.

During 2018, HSBC continued its membership of the UN Global Compact (UK) Modern Slavery Act Working Group, participating in a further series of meetings between companies operating in different sectors to share best practice in reporting under the Act. This included peer review of companies' MSA statements, highlighting areas for improvement.

HSBC attended the UN conference "Stepping up Action to End Forced Labour, Modern Slavery and Human Trafficking" in September 2018. The event was co-hosted by the United Kingdom and the United States on behalf of the Governments of Australia, Bangladesh, Bahrain, Canada, Nigeria, the UK, and the USA.

Work in these areas also supports the UN Sustainable Development Goals, in particular, goal five 'Gender Equality' and goal eight 'Decent Work and Economic Growth', which include:

5.2 Eliminate all forms of violence against all women and girls in public and private spheres, including trafficking and sexual and other types of exploitation; and

8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms

Support for victims

HSBC is working with the University of Nottingham Slave Free initiative to identify areas where we could more easily facilitate victims' inclusion in society and prevent exclusion from the financial system based on immigration offences.

Over the past year, HSBC has conducted a trial to deliver a survivor bank account, which has been considered successful. It is made available to victims who have been through the government's National Referral Mechanism.

The initial trial was conducted in selected cities in Scotland, and is being rolled out to other locations in England during 2019, following appropriate training and awareness raising in the relevant branches.

The account has been discussed at the Business against Slavery Forum and it was also well-received when discussed at the UK Finance Vulnerable Persons Committee in December 2018; it is hoped that the account can be taken up by other banks during this year.

The focus for the account to date has been on the UK and next steps will include how and where it can be extended beyond the UK to other countries.

Training and education

HSBC is committed to raising awareness of the issues of modern slavery and human trafficking with employees. Human trafficking and modern slavery are covered in our financial crime training modules, which are compulsory for all staff.

To build on the awareness raising we conducted in 2017, we published a bespoke film online for use by other businesses and financial institutions. The film has been used as a focal point for delivering targeted training workshops to our retail businesses throughout the UK, our European region in addition to selected markets in the Middle East.

These targeted and focused workshops included the selection of local audiences from branch colleagues, policy makers, financial crime specialists and CEOs who engaged with our own in-house experts, local law enforcement and business leaders. This model also aimed to introduce and test the relevance of numerous indicators of trafficking and modern slavery we have identified, and how they relate to specific countries in which we operate.

Our in-house experts have also provided input and support to the Financial Action Task Force (FATF) Human Trafficking advisory paper and we work with a range of countries and standard setting bodies to further share our initiatives and findings around this particular criminal activity and its victims.

In September 2018, HSBC welcomed the Mekong Club ('MC'), a Hong Kong-based anti-slavery and human trafficking NGO, to its London offices. A cross-functional, cross-business line HSBC audience learnt first-hand of the scale of slavery and trafficking in Asia and the importance of the involvement of the financial sector in combating, them in addition to the changing regulatory and legislative landscape. In Hong Kong, HSBC has contributed to the MC's financial services working group meetings and has also supported MC with their country outreach visits to China, Singapore, Bangladesh, Sri Lanka, Thailand, New Zealand and Malaysia to directly engage with HSBC local staff.

Governance

A working group under Group Corporate Sustainability, drawing on resources from all functions, businesses and geographies, developed HSBC's approach to reporting under the Modern Slavery Act. The Statement was considered and accepted by the HSBC Holdings plc's Disclosure Committee, and approved by the HSBC Holdings plc Board. Executive responsibility rests with the Group Management Board which has primary accountability for the businesses and functions relevant to particular human rights issues, including human trafficking and modern slavery.

This Statement is signed on behalf of the Board of Directors of HSBC Holdings plc by Group Chief Executive John Flint, 11 April 2019.

In particular, the HSBC Group entities that meet the threshold to report under the Act are:

HSBC Holdings plc
HSBC UK Bank plc
HSBC UK Holdings Limited
HSBC Alternative Investment Limited
HSBC Asia Holdings (UK) Limited
HSBC Asia Pacific Holdings (UK) Limited
HSBC Global Asset Management (UK) Ltd
HSBC Asset Finance (UK) Limited
HSBC Invoice Finance (UK) Limited
HSBC Bank plc
HSBC Equipment Finance (UK) Limited
HSBC Finance (Netherlands)
HSBC Global Services Limited
HSBC Global Services (UK) Limited
HSBC Group Management Services Limited
HSBC Insurance Holdings Limited
HSBC Investment Bank Holdings Limited
HSBC Life (UK) Limited
HSBC Overseas Holdings (UK) Limited
HSBC Private Bank (UK) Ltd
Marks and Spencer Financial Services plc