

HSBC Modern Slavery and Human Trafficking Statement 2023



HSBC

Opening up a world of opportunity

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Section 1: About HSBC

HSBC is one of the world's leading international banks. Our principal holding company, HSBC Holdings plc, is incorporated in England and headquartered in London. HSBC is listed on the London, Hong Kong, New York and Bermuda stock exchanges. Our legal entity structure is made up of a global network of locally incorporated subsidiary companies. For further information on our Group structure see www.hsbc.com/who-we-are.

What We Do

Our global businesses serve around 42 million customers worldwide through a network that covers 62 countries and territories. Our customers range from individual savers and investors to some of the world's biggest companies, governments and international organisations.

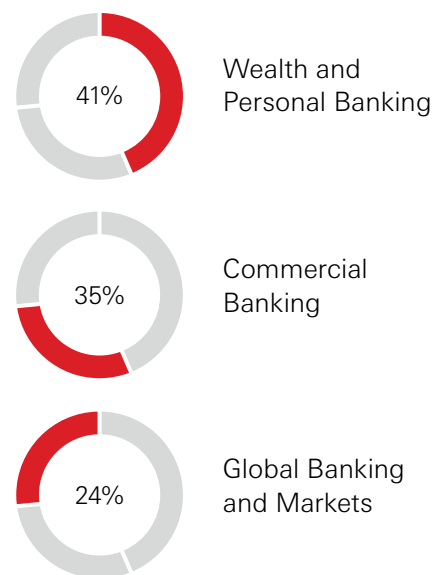
We serve our customers through three global businesses: Wealth and Personal Banking (WPB); Commercial Banking (CMB); and Global Banking and Markets (GBM).

In WPB, we help millions of our customers look after their day-to-day finances and manage, protect and grow their wealth.

In CMB, our global reach and expertise help domestic and international businesses around the world unlock their potential.

In GBM, we provide a comprehensive range of financial services and products to corporates, governments and institutions.

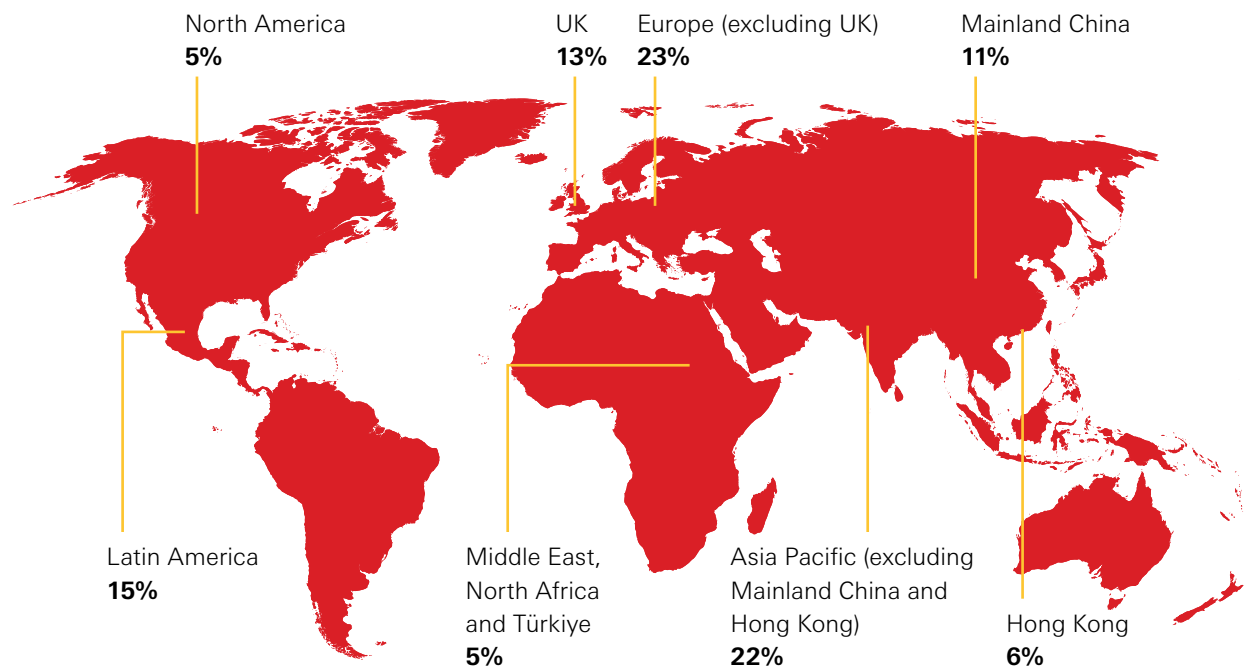
Revenue by global business¹



¹ Calculation based on revenue of our global businesses excluding Corporate Centre. Corporate Centre had negative revenue of \$199m in 2023.

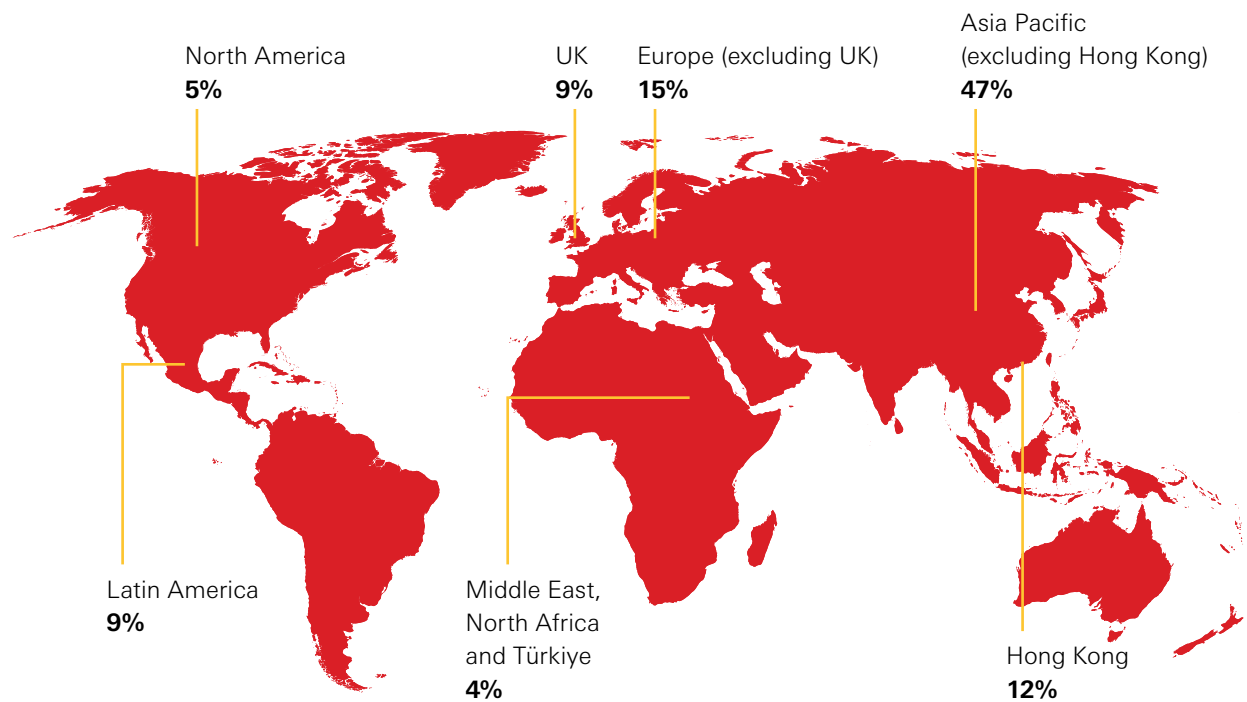
Our Suppliers

HSBC Group is supported by over 21,000 suppliers, across the regions shown in the map below. These suppliers, and the companies that supply them, constitute our **global supply chain**. HSBC’s major categories of spending include consultancy/professional services, IT services, corporate real estate and services that support our banking operations.



Our People

At 31 December 2023, HSBC had a total workforce equivalent to 221,000 full-time employees compared with 219,000 at the end of 2022. Our main centres of employment were India with approximately 42,000 employees, the UK with 33,000, mainland China with 33,000, Hong Kong with 26,000, Mexico with 17,000 and France with 6,000.



Section 2: Our Policies

How we do business is as important as what we do. Our responsibilities to our customers, employees and shareholders, as well as to the countries, territories and communities in which we operate, go beyond being profitable. This is consistent with the HSBC values, which include our approach to [environmental, social and governance](#) (ESG) issues.

In our [Human Rights Statement](#), we set out how we seek to meet our responsibility to respect human rights. Our approach is guided by the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

Human rights considerations are reflected in several Group-wide policies. Taken together, these policies govern our behaviour as a provider of financial services to business and to personal customers, as a buyer of goods and services, as an investor and as an employer.

This Statement builds on the Human Rights Statement, with more specific information on our approach to tackling modern slavery and human trafficking. Modern slavery includes, but is not limited to, child labour, forced labour and debt bondage.

Business Customers

Our approach is to work closely with our business customers to help them understand and manage their environmental and social impact. Where we identify activities that could cause material negative impacts, we expect customers to demonstrate that they are identifying and mitigating risks responsibly, and we will look to take required actions as outlined in our policies, which may include applying financing restrictions or enhanced due diligence.

We have specific policies covering certain sectors where environmental and social risks are higher. Some of these have direct relevance to modern slavery, for example:

Our **Agricultural Commodities Policy** is designed to prohibit business with customers involved, directly or through their supply chain, in the exploitation of people and communities, including through harmful or exploitative child labour or forced labour. For palm oil producers, the policy also requires certification under the Roundtable on Sustainable Palm Oil (RSPO) or equivalent. This includes protection for workers' rights and safe and decent working conditions.

Our **Forestry Policy** is designed to prohibit business with customers involved directly, or via their supply chain, in wood logged in violation of traditional and civil rights. In high-risk countries, relevant customers must have Forestry Stewardship Council or equivalent certification, which includes provisions on community relations and workers' rights.

Through our **Mining and Metals Policy**, HSBC seeks to prevent or mitigate severe adverse impacts on human rights.

As a signatory to the **Equator Principles** (EP), HSBC expects customers to include an assessment of the modern slavery risks common to infrastructure projects, including child labour, forced labour and restrictions on collective bargaining and freedom of association in their project assessment documentation. This may affect our decision to provide finance.

A just and inclusive transition means working to avoid people and communities being left behind. We are starting to address just transition-associated risks through our policies and risk management processes.

Our financial crime policies also apply to business customers, as set out below.

Suppliers

HSBC's [Supplier Code of Conduct](#) was refreshed in 2022. It includes provisions prohibiting the use of all types of slavery and human trafficking within their operations and their supply chain.

Under the Supplier Code of Conduct, HSBC reserves the right to review suppliers' policies, procedures or any other documents related to compliance with the Supplier Code of Conduct. In some cases, HSBC may require an on-line or on-site audit of a supplier. Our financial crime policies also apply to suppliers, as set out below.

Investment

HSBC Asset Management has worked to integrate relevant ESG factors into its active fundamental investment decisions since signing the Principles for Responsible Investment (PRI) shortly after their launch in 2006. It was one of the earliest asset managers to do so. Its first responsible investment fund was launched in 2001.

HSBC Asset Management's consideration of the UN Global Compact principles in the areas of human rights, labour, environment and anti-corruption have helped shape its approach to sustainable business.

Under these principles, investee companies are expected to:

- ♦ promote the fair treatment, equal opportunity and health and safety of employees;
- ♦ eliminate harmful or exploitative child labour and forced labour;
- ♦ protect the rights of local communities and indigenous peoples; and
- ♦ identify, assess and respond to human rights risks in their supply chains.

Personal Customers

We recognise that some of the personal customer accounts we provide may be associated with modern slavery. Our financial crime policies, set out below, help us to identify these associations and take appropriate action. Some of our customers may themselves be vulnerable to modern slavery. We look for indicators that this might be the case, either from activity on customer accounts or interactions with branch staff, alerting relevant authorities if suspicions arise. We also provide basic bank accounts to survivors of modern slavery in the UK and to a range of potentially vulnerable individuals in other markets.

Employees

HSBC's commitment to respect human rights in the workplace, including the right to decent work and freedom from discrimination, aligns with our values and is set out in global policy — see our commitments and actions on the HSBC Group website.

We are compliant with the law and uphold our commitments - Our global industrial relations principles seek to provide for constructive relationships with employee representative bodies, demonstrating our respect for freedom of association for employees. In this spirit we engage in various ways across our locations such as supporting industry-wide agreements, entering into collective bargaining agreements with formally recognised trade union partners and engaging regularly in dialogue with internally established employee representative bodies.

We reward colleagues responsibly - Our remuneration policies are designed to pay our people fairly and to attract, retain and motivate the best people, regardless of gender, ethnicity, age, disability, or any other factor unrelated to performance or experience. As part of our commitment to rewarding colleagues responsibly, HSBC is accredited as a global living wage employer by the Fair Wage Network.



We foster a diverse and inclusive environment -

We require that all our employees treat colleagues with dignity and respect, creating an inclusive environment. We do not tolerate discrimination, bullying, or harassment on any grounds as is set out in our statement of business principles and code of conduct.

We support our colleague's well-being - We are committed to supporting the wellbeing of our people. We want all our employees to be at their best at work, so we invest significantly in their wellbeing and will continue to seek new ways to provide support. Our global wellbeing programme covers four pillars: mental, physical, financial and social wellbeing.

We promote a Speak up culture - We encourage feedback and have effective confidential channels for employee complaints including HSBC Confidential, our global whistleblowing channel. We take action where we see standards that fall below our expectations. In 2023, we had a total of 834 concerns raised relating to bullying, harassment, discrimination and retaliation where 38% of concerns raised were substantiated and 24 colleagues were dismissed in relation to bullying, harassment, discrimination or retaliation.

Financial Crime

Our [financial crime risk policies](#) apply to all customers, employees and third parties. These policies, covering fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing, are designed to mitigate the risk that we initiate or continue relationships with individuals or entities involved in criminal activity. Perpetrators of modern slavery may generate profits that would be considered proceeds of crime; their actions may constitute money laundering predicate offences and could also be a source of terrorist financing. Public authorities may impose sanctions for human rights abuses including modern slavery, and we recognise that bribery and corruption can also contribute to such abuses.

Section 3: Our Approach to Due Diligence and Risk Management

Risk Overview

In 2022, the results of our review of salient human rights issues indicated that HSBC is most likely to be exposed to modern slavery through its relationships with business customers, suppliers and investee companies, especially (though not exclusively) those operating, or with supply chains, in sectors dependent on low-skilled or migrant workers with a high turnover of potentially vulnerable workers or in places where these practices are prevalent.

Modern slavery issues were assessed as far less likely to arise in respect of our employees; the financial services sector is not among those considered high risk in this regard. Nevertheless, we take a range of steps to help ensure our employees' right to decent work is respected under the policies described in the Employees section, above.

Business Customers

Due Diligence

HSBC's relationship managers are the primary point of contact for many of our business customers and are responsible for managing customers' adherence to the policies described in Section 2 above.

They are supported by Sustainability Risk Managers across the Group, who have responsibility for advising on, and overseeing, the management of environmental and social risks. Sustainability Risk Managers are supported by Group Reputational and Sustainability Risk, a central team responsible for developing policies, guidance and training, and overseeing overall policy compliance.

HSBC aims to investigate potential adverse human rights impacts, including those related to modern slavery, where credible allegations are reported, or where potential issues are identified and escalated. Where required, business customer relationships are subject to further review by relevant Risk Committees. We may exit these relationships when business customers are unwilling or unable to comply with our standards.

We screen customers for sustainability issues alongside our Customer Due Diligence governance processes, and we obtain independent negative news data from a specialist vendor to give us a clearer picture as to whether such customers are acting responsibly on sustainability issues, including modern slavery.



New approaches to identifying and managing human rights risk in respect of our business customers in Germany, the UK, Bangladesh and the Middle East have also been piloted. These included screening for indicators of potential negative impacts on people, including media monitoring and other relevant third-party data.

Suppliers

Due Diligence

In 2022, we modified the way we apply our negative news screening capability to suppliers, using sustainability risk factors as the threshold criteria rather than contract value. We now screen suppliers in 14 sectors identified as high-risk, such as construction, and food and beverage. The screening covers 28 ESG issues including forced labour, child labour, freedom of association and collective bargaining, occupational health and safety issues, and poor employment conditions.

We also continued to embed and build on the Sustainable Procurement Mandatory Procedure which sets out the minimum sustainability requirements for procurement activity. This included enhanced procedures for human rights risk identification through the introduction of a human rights residual risk questionnaire for suppliers as part of our global onboarding assessment process, and human rights supplier audit pilots in our Asia-Pacific and Latin America regions to assess the potential need for further supplier audits in the future.

Engagement

Our Supplier Code of Conduct (see Section 2, above) gives us the right to conduct audits and to request evidence of due diligence processes in respect of any of the issues covered, including modern slavery.

Investment

Due Dilligence

In implementing the responsible investment policies set out above, HSBC Asset Management uses a proprietary ESG research platform that combines multiple ESG data points and assessments from independent third parties. Its ESG scores are based on its view of the materiality of ESG issues by sector, drawing upon qualitative and quantitative assessments undertaken by our equity and fixed income team. It takes into account frameworks such as the Sustainability Accounting Standards Board (SASB) and reviews new ESG data sources on an ongoing basis.

HSBC Asset Management conducts enhanced due diligence when it has evidence that companies held in actively managed equity and fixed income portfolios may be non-compliant with the UN Global Compact's Ten Principles, which include the elimination of all forms of forced and compulsory labour, and the effective abolition of child labour. The findings of the enhanced due diligence are reviewed and approved by our internal ESG governance committees, with the ESG Investment Committee at the highest level. Pending this approval, new investments may be restricted.

Engagement

HSBC Asset Management recognises its responsibility to be active, long-term stewards of the businesses in which it invests on behalf of customers, meeting companies regularly to improve its understanding of their business and strategy, to communicate expectations and to signal any concerns. Its approach to engagement, prioritisation of investee companies, objective-setting, escalation procedures, and thematic priorities including human rights are set out in our [Global Stewardship Plan](#).

It also recognises collaborative engagement as a tool to promote change, in particular where individual investor action may be less effective. It participates in investor-led joint engagement initiatives where it believes these can have a positive influence in improving the companies in which it invests. HSBC Asset Management is a signatory to the PRI Advance initiative to promote active stewardship on human rights and social issues. It has also actively contributed to other sector-specific initiatives, including engaging with technology firms on digital rights and responsible artificial intelligence (AI), and working with ESG data providers to promote higher quality human rights dataset.

Where material risks are identified that cannot be addressed through engagement, it may apply selective exclusions which are regularly reviewed. Further details, including on HSBC Asset Management's position on escalation, are outlined in its [Engagement Policy](#).

Voting

HSBC Asset Management aims to vote all equities for which clients have given voting authority, except where this is not practical for reasons such as share blocking or overly burdensome power of attorney requirements. Human rights and modern slavery considerations have been incorporated into the [Global Voting Guidelines](#). This helps it to identify non-compliance with UNGC principles, as well as to assess a company's performance in relation to human rights risk management and disclosures, focusing on indicators such as commitments and policies, due diligence processes, provision of remedy, and disclosures. Where a company falls below expectations, HSBC Asset Management may vote against the re-election of the board chair or relevant board director. In some cases it may co-file shareholder resolutions on sustainability issues, including modern slavery.

Personal Customers

The provision of services to our personal customers is most likely to be linked to modern slavery through association with the financial activities of **perpetrators** of these crimes and their **victims**. We include below an example of how our financial crime controls have helped to identify criminal abuse of personal accounts. We also continued to expand our Survivor Bank programme, which has now supported over 3000 survivors of vulnerable situations including modern slavery and human trafficking in the UK.

Financial Crime Risk Management

Our financial crime controls help us to identify and assess the risks posed by customers, employees and third parties, and determine whether we wish to establish a relationship with them. If we do establish a relationship, we continue to identify risks by screening them against specified lists, indicators and known typologies, and by monitoring our customers' transactions. Where we believe we have identified signs of financial crime, including those linked to potential human rights abuses, we seek to investigate and take appropriate mitigating action, including reviewing the relationship and reporting to relevant government authorities.

Each month on average, we monitor over 1.35 billion transactions for signs of financial crime. In 2023, we filed over 96,000 suspicious activity reports to law enforcement and regulatory authorities where we identified potential financial crime. In addition, we perform daily screening of approximately 125 million customer records for sanctions exposure.

CASE STUDY

Identifying human trafficking risks

Our Compliance team in one Asia-Pacific jurisdiction that faces widely reported risks of online child sexual exploitation (CSE), used information received via a Public-Private Information-sharing Partnership (PPP) to support an existing investigation into a retail customer suspected of involvement in this criminal activity. The information included high-risk locations for sexual exploitation behaviour and associated typologies such as low-value/high-volume credit card transactions with high-risk websites. The case was referred to local authorities and the customer account was later closed.



Section 4: Measuring Effectiveness

We recognise the need to monitor the development of our approach to tackling modern slavery, and other human rights issues. Some of the metrics we use are included in the table below, along with some context on the way we use the data to help ensure continual improvement.

Key Performance Indicator	2022	2023	Context
Survivor Bank Accounts	2,125	3,020	The ‘Survivor Bank’ programme supports survivors of vulnerable situations including modern slavery and human trafficking.
Number of votes by HSBC Asset Management against management for reasons related to modern slavery	23	15	As described in Section 3 above, voting is one way for HSBC Asset Management to use its leverage to help reduce adverse human rights impacts. The figure represents the number of resolutions at investee company shareholder meetings (including AGMs) where votes were cast against management for reasons related to modern slavery.
Number of issuers against whom a human rights related breach of UNGC has been recorded	24	26	This allows HSBC Asset Management to monitor its association with companies in breach of UNGC principles, including Principles 1-6 related to human rights.
Percentage of contracted suppliers who have either confirmed adherence to the code of conduct or provided their own alternative that was accepted by our Global Procurement function	93	95	As described in Sections 2 and 3 above, our Supplier Code of Conduct is a key element of our policy, risk management and due diligence processes in respect of suppliers. By tracking suppliers that do not sign our Supplier Code of Conduct, we can address obstacles and aim to increase supplier acceptance further in 2024.

Section 5: Training

Enhancing our understanding of modern slavery

We believe in continuous education and in ensuring that our front-line employees are equipped with the right tools and training to be effective in their roles. To support continuous learning, we produce briefings based on global news and trends, and encourage our employees to pursue certifications from relevant organisations. In the Asia-Pacific region, HSBC continues to assess developments in human trafficking risks across the region, often leveraging information toolkits and reports by non-profit organisation partners and from regulators via established public-private partnerships and industry working groups.

In 2023, we provided practical guidance and training, where relevant, to our colleagues across the Group on how to identify and manage human rights risk. We also provided a detailed course on modern slavery to over 270 employees in the **Risk** team, highlighting the importance of identification and escalation. We delivered modern slavery training to 1,728 employees based in Australia.

Our **compliance** team delivers insights on human trafficking risks and their impact on the financial services sector through internal reports and training sessions.

Our **procurement** team has provided sustainability introduction training for over 600 employees as part of a three-year sustainability training programme. This training provided a baseline understanding of key sustainability issues relevant to HSBC procurement, including modern slavery.

Our **personal customers** (Wealth and Personal Banking) team in the UK has created a training video to raise awareness of modern slavery. This training has been completed by more than 5,300 UK colleagues, allowing them to spot the signs and escalate their concerns to our investigations teams. In addition, our customer-facing employees globally, are trained to identify and support vulnerable customers as part of their induction training.

Our **Asset Management** business has run 3 internal workshops on our approach to investment stewardship, with elements on human rights including modern slavery. Investment teams attend a fortnightly ESG Research and Engagement Forum, which has featured engagement on human rights and sessions with external speakers on supply chain labour practices.

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 the law allows, work cooperatively with other participants in the global financial system to share both strategic and tactical information to help combat financial crime, including that related to modern slavery. We work with a range of markets and standard-setting bodies, including the Financial Action Task Force (FATF), to share our initiatives and findings.

In the UK, for example, HSBC continues to be 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".

We also work collaboratively with non-governmental organisations (NGOs), think-tanks and research institutes and, in Europe, focus on Pan-European committees concerned with identifying and policing modern slavery risks. Throughout 2023, HSBC has participated in joint law enforcement and civil society conferences, including the UN Global Compact's UK Modern Slavery Working Group. We engage with NGOs and civil society groups when they raise concerns related to HSBC customers. HSBC is a member of the Thun Group of banks, the main purpose of which is to deepen understanding of the UNGPs within the context of banks, and to consider how these principles may be applied across the range of different banking activities.

Organisations such as the Mekong Club and the International Centre for Missing & Exploited Children (ICMEC) facilitate cross-industry information sharing on criminal typologies specific to each geographical region, including evolving risks related to the trafficking and exploitation of adults and children. In 2023, our Compliance team worked with the Mekong Club to moderate and deliver a series of knowledge sharing sessions on human trafficking risks across Southeast and South Asia, bringing together over 270 colleagues as well as representatives from peer banks.

Section 6: Governance

This Statement covers the period from 1 January to 31 December 2023.

In 2021, we enhanced our governance on human rights by appointing key members of our Group Executive Committee to our Human Rights Steering Committee, with our Group Chief Risk and Compliance Officer as Chair. In 2023, this Committee met on 4 occasions. The Human Rights Steering Committee is overseen by the Group Executive Committee and, by virtue of the status of the Steering Committee Chair and the leading role of the Risk Function in enhancing the Group approach to human rights, by the Group Risk Committee of the HSBC Holdings plc Board.

Responsibility for the development and review of the policies listed in Section 2 is listed in the table below

Policy	Department	Function
Sector risk policies for business customers	Sustainability Risk	Group Risk and Compliance
Financial Crime policies	Financial Crime	Group Risk and Compliance
Employee policies	Talent Management, Performance Reward and Employee Relations	Group Human Resources

HSBC's approach to reporting under the UK Modern Slavery Act was developed by a Group-wide Human Rights Disclosures Network coordinated by Group Public Affairs, drawing on resources from all relevant functions, businesses and geographies. The Statement was considered and approved by:

HSBC Holdings plc ESG Committee
HSBC Holdings plc Disclosure and Controls Committee
Boards of other HSBC Group entities required to report under the UK Modern Slavery Act listed below
HSBC Holdings plc Board

The Statement is signed by the Group Chairman on behalf of the Board of Directors of HSBC Holdings plc and of the entities listed in the adjacent table. The Boards of Directors of the entities listed in the adjacent table approved the Statement on the dates shown, and delegated authority to the Group Chairman to sign on their behalf.

Mark Tucker Group Chairman
21 February 2024

The HSBC Group entities required to report under the Act are:

Entity	Date of Approval
HSBC Holdings plc	14 February 2024
HSBC Alternative Investments Limited	13 February 2024
HSBC Asia Pacific Holdings (UK) Limited	13 February 2024
HSBC Bank plc	13 February 2024
HSBC Equipment Finance (UK) Limited	15 February 2024
HSBC Finance (Netherlands)	13 February 2024
HSBC Global Asset Management (UK) Limited	13 February 2024
HSBC Global Asset Management Limited	13 February 2024
HSBC Global Services (UK) Limited	14 February 2024
HSBC Global Services Limited	13 February 2024
HSBC Group Management Services Limited	14 February 2024
HSBC Holdings BV	13 February 2024
HSBC Innovation Bank Limited ¹	15 February 2024
HSBC Investment Bank Holdings Limited	29 January 2024
HSBC Invoice Finance (UK) Limited	9 February 2024
HSBC Latin America Holdings (UK) Limited	25 January 2024
HSBC Life (UK) Limited	9 February 2024
HSBC Overseas Holdings UK Limited	13 February 2024
HSBC UK Bank plc	9 February 2024
Marks and Spencer Financial Services plc	7 February 2024

¹ In March 2023, HSBC UK Bank plc acquired Silicon Valley Bank UK Limited, and in June 2023 changed its legal entity name to HSBC Innovation Bank Limited. We are taking steps to integrate HSBC Innovation Bank Limited into HSBC Group.

