



HSBC Modern Slavery and Human Trafficking Statement 2019

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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 over 40 million customers worldwide from offices in 64 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and the Middle East and North Africa. With assets of \$2.7tn at 31 December 2019, 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 our 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 2019, published on 18 February 2020, and available on the [HSBC Group website](#).

Context

This is the fourth statement issued by HSBC Holdings plc with respect to modern slavery and human trafficking. It covers the policies and procedures that are applied across the HSBC Group, under the provisions of the UK Modern Slavery Act 2015 (the Act) and with reference to the guidelines issued by the UK Home Office: [Transparency in supply chains: a practical guide](#).

The statement covers all HSBC Holdings plc subsidiary companies which are subject to the provisions of the Act – see Governance below. A full list of all subsidiary companies is published in the Annual Report and Accounts.

We report on the steps HSBC takes and has taken to ensure that modern slavery and human trafficking do not take place in its own operations, its supply chains, or 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, law enforcement agencies, governments and civil society, to act against modern slavery and human trafficking.

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. As a global firm, we would especially welcome international coherence and mutual recognition of different reporting requirements and standards, to help mobilise global efforts as well as to prevent good legislative intentions from being undermined by different reporting standards.

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.

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 views modern 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'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. 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 2019, we continued to develop our approach to human rights, having set up a Human Rights Steering Committee in 2018. We will incorporate appropriate recommendations from initiatives such as the [OECD's Due Diligence Guidance for Responsible Corporate Lending and Securities Underwriting](#) introduced in 2019.

The below sections cover how we approach the issues of modern slavery and human trafficking in this wider human rights context as well as within our commitment to helping protect the financial system on which millions of people depend.

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 2019

In 2019, HSBC advanced four key initiatives.

The first was our mission to improve outcomes for those who have been victims of modern slavery:

ACTING 'FAST' TO HELP VICTIMS OF MODERN SLAVERY

Our pioneering work in the UK has led to an international solution that helps survivors of modern slavery and human trafficking to gain financial independence.

A coalition of six survivor service charities and 12 banks, including HSBC, was announced at the UN General Assembly in New York in September 2019.

The coalition, called [Finance Against Slavery and Trafficking \(FAST\)](#), has pledged to implement a Survivor Inclusion Initiative that will help identify victims of modern slavery and human trafficking and give them access to basic bank accounts. FAST will initially support survivors in Austria, Canada, the UK and the US, with more markets to be added.

In the words of the UN, “the Initiative provides a common approach for the safe extension of basic financial services to survivors... building on an approach pioneered by HSBC in the UK”.

The approach in question is our [Survivor Bank programme](#), which already has over 200 account holders – people who had been excluded from banking because they didn't have the necessary identification to open an account.

We are helping them to take the first step in rebuilding their lives, by providing a bank account so that they can claim state benefits or apply for jobs.

Rebuilding lives

“Survivors of human trafficking and modern slavery face many obstacles and barriers in rebuilding their lives,” said Ian Stuart, HSBC UK CEO. “Working with charities, we've made it possible for survivors to open a bank account – an important step in gaining their independence. We're committed to doing what we can to offer support to those who would otherwise be excluded from banking services.”

“There are 40 million people in slavery around the world,” said James Cockayne, Head of the Secretariat for the UN Financial Sector Commission on Modern Slavery and Human Trafficking. “Partnerships between financial entities, survivor organisations and governments will help reduce this number and keep people who have survived this tragic exploitation from falling back into it.”

The second was to continue work to map the risk of modern slavery in our supply chain:

MAPPING MODERN SLAVERY RISK

In 2019, our Corporate Real Estate function worked with one of our suppliers, using a risk-based approach to select from their supply chain 55 suppliers in 22 countries located in Asia, the Middle East and North Africa, Latin America and Europe.

These subcontractors provide important outsourced services to HSBC.

Over 1,000 checks were completed with near full compliance observed. We found no indicators of modern slavery, but we identified a small number of other exceptions where our ethical and environmental standards were not fully met.

These exceptions are being addressed in collaboration with the respective suppliers.

The third was to engage with suppliers to discuss our requirement for them to meet our Ethical and Environmental Code of Conduct for Suppliers, and be able to terminate a relationship where this is breached:

SUPPLIER CONTRACTS

In the second half of 2019, HSBC introduced clauses for supplier contracts that formalise commitment to the HSBC Ethical and Environmental Code of Conduct for Suppliers.

The clauses will support our right to audit and to take action if a breach of the Code of Conduct is discovered, including any indicators of the use of forced or child labour, or of any restrictions on the right and ability of a worker to leave employment when they choose.

In contract negotiations, we may also use the vendor's own ethical code of conduct where it is considered equivalent to our own.

The fourth was in our Middle East and North Africa Region, where we undertook a risk based review of customers in exposed sectors, focusing on sectors known for their high use of contract labour and that have received criticism for lower labour standards. We will be reviewing the outcome and how we can apply learnings to our other regions:

CUSTOMER REVIEW

Several countries in our Middle East and North Africa region have historically had a significant expatriate workforce and, as with other emerging markets and regions, there may be unidentified risks relating to modern slavery. However, there has been limited data available to assess the level of human rights risk related to clients.

In 2017 we started work to design a process to assess Human Rights risk related to our clients. Focused on clients to whom HSBC provides credit; a questionnaire was incorporated into the annual credit review process.

During 2018 and into 2019, we targeted seven sectors considered higher risk, including shipping, construction and textiles.

The pilot questionnaire covered both organisational and personnel issues, including:

Organisational

1. Health & Safety, e.g. accident reporting
2. Ethical policies
3. Certification and independent monitoring
4. Relevant regulatory action or sanction
5. Helpline and whistleblowing facilities

Personnel Related

1. Recruitment processes
2. Employment contracts
3. Training and development
4. Use of third party contractors and agencies

FINDINGS

During the course of the pilot programme, HSBC's relationship managers had conversations with more than 300 clients in eight countries and territories. Relationship managers reported a generally high level of client engagement with the subject, and a small number of cases have been identified where follow-up discussions or monitoring is appropriate.

Continued Commitment

Employees

Preventing Discrimination and Harassment

HSBC's commitment to respect human rights in the workplace is embedded within our [HSBC Values](#) and set out in global policy. HSBC requires that all of our employees treat colleagues with dignity and respect, creating an inclusive environment. We do not tolerate unlawful discrimination, bullying, or harassment on any ground, including age, race, ethnic or national origin, colour, mental or physical health conditions, disability, pregnancy, gender, gender expression, gender identity, sexual orientation, marital status or other domestic circumstances, employment status, working hours or other flexible working arrangements, or religion or belief.

HSBC employees are made aware of their employment rights through a variety of channels, including written employment contracts and policies, and procedures found in employee handbooks and staff websites.

Employees receive training on a variety of human rights related issues, including but not limited to: diversity and inclusion, anti-money laundering, supplier management, data privacy and bribery and corruption.

In 2019, we have centralised our monitoring of harassment cases and built a specialist team to oversee such matters when they do arise. We have trained senior leaders on the fundamentals of workplace harassment and delivered global mandatory training to all our employees on identifying bullying and harassment.

Freedom of Association

HSBC 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.

Employee Voice

We listen to feedback from our employees through annual surveys and exchange meetings. We encourage all managers to hold regular exchange meetings – meetings with no agenda designed to hear employee and record views.

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. We mandate that all our businesses have a procedure through which employees can raise work-related complaints. If employees 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.

Pay

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

HSBC's pay strategy is designed to attract and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. It aims to focus on total compensation with a strong link between pay and performance. In assessing performance, we judge not only what is achieved, but also how it is achieved, and whether it is in line with the HSBC Values.

A number of our locations offer mandatory annual pay increases as part of collective bargaining or union agreements, where we have an obligation to apply fixed pay increases across specific populations. In locations where mandatory increases do not apply, we may apply Country Fixed Pay Adjustments for specific populations. These adjustments are based on an employee's country location and take into account a variety of factors including, but not limited to, the market, the cost of living in their country of employment and funding available.

Outsourcing

A particular risk of encountering modern slavery for HSBC in its own operations lies where HSBC does not have direct management control. This may include suppliers who provide support staff, for example, in catering, cleaning, construction or security posts. We had no direct knowledge during 2019 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.

Procurement

Policy

HSBC has had an [Ethical and Environmental Code of Conduct for Suppliers](#) (Code of Conduct) in place since 2005. It was updated in 2016 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. The Code of Conduct 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.

HSBC currently has 7,784 contracted suppliers globally. In the last three years 9,342 Supplier engagements have resulted in confirmation of adherence to the Code of Conduct or had their own code of conduct reviewed and accepted. This is the number of Code of Conduct activities completed since 2017 when conduct completion was first recorded centrally. This is not a measure of the number of unique suppliers for a number of reasons: Suppliers are required to confirm adherence to the Code of Conduct pre-contract, and some contracts may not lead to supply; some contracts will no longer be active; a single global supplier may have a number of contracts; prior to 2017, Code of Conduct reviews may have been completed but records were not kept centrally. A review of the process of tracking Code of Conduct coverage in a more precise manner will be undertaken in Q1 2020.

The contractual clauses highlighted in *Supplier Contracts*, above, will be progressively rolled out as our contracts with suppliers are entered into or renewed. For contracts where we have not yet included the clause, we rely on existing audit and termination rights to assure compliance with the Code of Conduct. In 2020 we will introduce supporting guidance to promote a consistent approach to these contractual issues across our businesses and markets.

Risk and Remediation

During 2018 and 2019, we worked with third-party specialists to help identify suppliers across our global portfolio with potentially higher likelihood of labour rights issues based on geography and industry sector. We have engaged with circa 250 suppliers through a self-assessment questionnaire based on the Code of Conduct. On the back of this evaluation, we will review whether to extend the same detailed assessment across a broader spectrum of suppliers in 2020.

Our goal is to work collaboratively with our supply chain partners on sustainability issues, including modern slavery, at all times. When a supplier is found to no longer be in compliance with the Code of Conduct, we have the ability to work with them on an improvement plan or, if deemed necessary, terminate the relationship, in line with UN Compact and other UN Principles and other guidance related to relationships.

The 'Know Your Third Party' (KY3P) partnership with three other banks – a common platform for due diligence risk data collection – we reported last year has not developed as anticipated; we remain open to collective action in the financial services sector in tackling modern slavery and human trafficking risks in our supply chains.

Customers and clients

The principal aim of the UN Guiding Principles is to prevent human rights abuses. HSBC seeks to ensure that the financial services we provide to our customers do not result in an unacceptable impact on people or the environment. We are 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. We work with our customers to help them improve their sustainability practices. 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'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 and have been working with our clients in those sectors which present

the highest social and environmental risks, to drive 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. 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.

One way in which we aim to encourage positive decisions by our customers is through the use of internationally recognised certification schemes. In the forestry sector, 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. For the specific details of our policy prohibitions and other financing restrictions, see our sector-specific [Sustainability Risk policies](#) on the HSBC Group website.

One challenge is that many of our customers have a diverse portfolio of businesses that operate across a wide range of sectors. In such cases, we will not finance any activity that does not meet our policy requirements. However, we may support that customer's other business activities, which will have economic and other benefits to society. This approach allows us to continue to engage and influence our customers and support them in moving towards good practice in all of their businesses.

We investigate credible allegations of human rights violations as they are reported to us via engagement with stakeholders. 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 on which we all depend. Modern slavery and human trafficking are crimes and those responsible may seek to launder the proceeds through the financial system to legitimise them.

Tackling financial crime

HSBC's Compliance function leverages intelligence, investigations, analytics, technology and public-private partnerships to identify, mitigate and deter financial crime. This enables the Bank to identify existing or emerging risk issues and financial crime more quickly and effectively, to ensure that we protect HSBC from criminals who seek to exploit our services. In particular, we are analysing the types of activities that are likely to be indicative 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 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 which is 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 (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 National Crime Agency website](#). In 2019, 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.

We continue to meet or exchange correspondence with non-governmental organisations (NGOs) and civil society groups when they raise concerns related to HSBC customers, and to attend the UN Business and Human Rights Forum in Geneva and the UN Global Compact's UK Modern Slavery Working Group.

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, United States Banks Alliance and Asia-Pacific Banks Alliance, to develop toolkits providing case studies and

examples of suspicious financial patterns that can be warning signs of criminal behaviour. Most recently, the Asia Pacific toolkit was [endorsed by the Wolfsberg Group in April 2019](#). These 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.

HSBC has worked to combat human trafficking risks in the Asia-Pacific region by sharing learnings and best practices on human trafficking typologies, in the form of alerts, to the Hong Kong Association of Banks. These alerts were issued in English and Traditional Cantonese languages.

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 NGOs and think tanks and, in Europe, focus on pan-European committees which are concerned with identifying and policing human trafficking risks. Throughout 2019, 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 furthering the understanding of the UN Guiding Principles on Business and Human Rights within the context of banks, and 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 Act.

HSBC hosted a meeting of the informal Banks & Civil Society group in September 2019 where banks and other financial institutions, together with specialist NGOs operating in this area, shared best practice and learnt from others' experiences in tackling modern slavery. This included a dedicated session on modern slavery and human trafficking, held with the collaboration of Unseen, Stop the Traffik and the Salvation Army. A number of actions were recommended, both internally at HSBC will and in cooperation with other participants.

During 2019, 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' modern slavery and human trafficking statements, highlighting areas for improvement.

HSBC attended the UN launch of Finance Against Slavery and Trafficking in September 2019, one aspect of which, the Survivor Inclusion Initiative, was based on our Survivor Bank programme (see case study above).

In November 2019, HSBC hosted the annual Corporate Roundtable for the [Ethical Trading Initiative](#) (ETI), attended by over 70 of their corporate members. ETI is an alliance of companies, trade unions and voluntary organisations, which works globally to improve working conditions for people who grow raw materials or produce consumer goods.

HSBC continues to work 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, following the successful trial of the Survivor Bank programme for those victims who have been through the government's National Referral Mechanism.

Training and education

HSBC is committed to raising awareness of the issues of modern slavery and human trafficking with employees.

To build on the awareness raising we conducted in 2017, we published a bespoke film – [Challenging the Human Traffickers](#) – 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 potential 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 2019, HSBC continued to work with the Mekong Club (MC), a Hong Kong-based anti-slavery and human trafficking NGO. HSBC has contributed to MC's financial services working group meetings and has also supported MC with their country outreach visits to China, Bangladesh, Sri Lanka, Indonesia, 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 Act. The Statement was considered and accepted by this working group, before consideration by HSBC Holdings plc's Disclosure Committee, and approval 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 by the Group Chairman on behalf of the Board of Directors of HSBC Holdings plc and those HSBC Group entities listed below.

Mark Tucker, Group Chairman

18 February 2020

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

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