



# Being Proactive to Manage Risk



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## ESG Interviews

### Mitigating Risks in Our Portfolio

We are delivering high quality services to our customers while protecting our business and our community in tandem. If we provide financial support to clients in environmentally sensitive industries, or to projects that are not sustainable, this is not only in conflict with our values but also poses a significant risk to our reputation and the trust we have established with our customers.

We have a comprehensive system for handling these kinds of risks. Robust policies and clearance processes are in place for clients that are operating in high-risk sectors. Our [“Three Lines of Defence”](#) framework clearly delineates the responsibilities of different parties, so that nothing falls through the cracks.

We formulate wholesale credit policies and guidelines, and assist to conduct due diligence to manage the sustainability of our portfolio. When ESG risks emerge, or when new ESG-related legislation or policies are implemented, we make sure all relevant parties are informed in a timely manner. This builds awareness and makes us a better, safer and stronger business.

In the coming year, our focus will be on climate-related risks. The relevant guidance and training will be provided to staff working in the frontline and risk department. We expect to have climate risk assessment incorporated into our credit assessments within the first quarter of 2021.

Our strategy is to work closely with our clients - in good times and in challenging ones - to facilitate sustainable business growth that also considers the interests and wellbeing of the broader community.

There is an example which manifests the collaboration between the 1<sup>st</sup> and 2<sup>nd</sup> Lines of Defence to achieve our strategy. We had a customer in the paper pulp industry whose operations fell below our sustainability standards and was at risk of breaching our policies. Business unit and Risk Department have actively engaged the company and provided them with information and advice on international standards in its sector. The company management recognised that we were committed to helping them succeed and they were motivated to make changes to the company's operations within a mutually agreed timeframe. We also saw changes in the company's overall corporate culture as a result of these actions. This was a real success story. The company demonstrated a firm commitment to improving its environmental performance, and went on to become one of the first paper pulp companies in China to achieve international Forest Stewardship Council Certification.

# Being Proactive to Manage Risk

Managing risk is a core part of our day-to-day activities. We protect our operations against compliance risks, and have strong, transparent corporate governance. Our risk governance forums hold regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated. Please refer to our [Annual Report](#) to learn more about our bank-wide approach to risk.

## Managing Different Types of Risk

### Compliance

Our credibility relies on our operational integrity and the transparency of the information we provide to stakeholders. Upholding strong corporate governance, adherence to the highest ethical standards and effective risk management are essential to being an accountable, transparent and well-managed company. Compliance issues are discussed and reviewed by the Board and management committees.

Responsible for promoting our long-term sustainability and success, the Board provides forward-thinking leadership within a framework of prudent and effective controls. We are committed to quality, professionalism and integrity throughout our business. Internal controls, risk management, compliance, and legal and regulatory requirements are considered at Board meetings.

In 2020, all directors and staff undertook various training on values and conduct. This covered, among other topics, whistleblowing, anti-bribery and corruption. Such training is further provided from time to time to our directors and senior leaders.

We require all our staff members to comply with relevant codes of conduct. For details, please refer to the [Staff code of conduct and staff awareness](#) section. In any jurisdiction where local corporate governance requirements are of a lower standard than our own, our higher standards apply (where they do not conflict with the law).

### Three Lines of Defence Framework

Our risk management is assigned to three lines of defence. The activity-based model applies to all individuals and all risk types, and delineates the accountability and responsibilities of each party for risk management and the control environment. Actions determine where we sit in the model.



Global functions may have responsibilities across the first and second lines of defence, and therefore segregate these responsibilities between teams. At an appropriate level of seniority – normally executive committee level or their direct reports – a single individual may have responsibilities across the first and second lines.

# Being Proactive to Manage Risk

## Managing Different Types of Risk

### Financial and tax risks

Regular reports on financial crime compliance and regulatory compliance are submitted to senior management governance committees. The Audit Committee reviews our financial reporting, the nature and scope of audit reviews, and the effectiveness of our control and compliance systems.

We manage tax risk based on a formal management framework. We have adopted initiatives that increase transparency, such as the [US Foreign Account Tax Compliance Act](#) and the [Organisation for Economic Co-operation and Development's \(OECD\) Common Reporting Standard](#).

We do not use tax avoidance structures or strategies, such as artificially diverting profits to low tax jurisdictions. We principally operate and pay taxes in Hong Kong but are committed to complying with the spirit and the letter of the tax law in all territories and countries in which we operate and maintaining an open and transparent relationship with tax authorities. Relevant financial information is disclosed in our Annual Report.

We follow our parent company's [tax policies, principles and strategies](#).

### ESG risks

In accordance with the Hong Kong Exchanges and Clearing Limited (HKEx)'s ESG Guide, the Board determines and evaluates the ESG risks that we face. It ensures that effective risk management and internal controls are in place. Reviews of these systems were conducted and attested by the Management. Management presented its confirmation on the effectiveness of these systems, together with this ESG Report to the Board, through its Executive Committee in April 2021.

To steer the Bank's ESG strategy and management, the ESG Steering Committee was newly established in 2020. It is overseen by our Executive Committee and the Board. In response to the growing attention of our stakeholders on ESG risks, we continuously strengthen our sustainability governance and relevant risk management.

Among the ESG risks, climate change is top-of-mind for us as it presents risks to our business and to our customers. This is the reason behind it being one of the six key ESG pillars in our 2021 ESG implementation plan.

To mitigate climate change risk, our Chief Risk Officer (CRO) represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management. The CRO will report climate-related issues to the Board. To further strengthen our directors' capability in climate change risk management, training on the transition to a low-carbon economy was undertaken by our directors in 2020. In 2021, we will review the need to set up a dedicated climate risk taskforce and develop a climate risk management process that ensures we and our customers remain resilient. For details of our sustainability governance structure and our plan to address climate-related risk, please see [Our ESG Journey](#).

No non-compliance with laws and regulations that resulted in significant fines or non-monetary sanctions was recorded in 2020.

### Competition

Our legal function is tasked with ensuring that all of our businesses and functions understand and conduct their business in compliance with the spirit and letter of Hong Kong's Competition Ordinance. This complements our ongoing training, in which staff learn about essential elements of competition law and how they apply to our businesses.

In 2020, no judgements were entered against Hang Seng for breaching the Competition Ordinance.



# Being Proactive to Manage Risk

## Managing Different Types of Risk



### Financial crime

To help protect the integrity of the global financial system, we invest in detecting, deterring and preventing financial crime. We review our customer portfolios and product offerings to ensure timely risk mitigation. We implement the HSBC Group's Global Standards initiative, which features effective standards to combat financial crime, across our operations in Hong Kong and overseas.

We also implement policies on money laundering and sanctions that often extend beyond the requirements of local laws and regulations. These policies are subject to regular review by our financial crime compliance personnel.

Among other steps, we have hired experienced senior personnel to lead the effort and significantly increased our financial crime compliance capabilities; we put in place a robust investigative function; we launched a Financial Crime Risk Cultural Embedment Plan to build a strong culture; we improved and expanded our financial crime compliance training initiatives; and we upgraded or replaced key compliance IT systems.

Beyond these improvements, as part of our commitment to protect the integrity of the financial system, and to do our part in fighting financial crime, we continue to enhance our systems and we are working to integrate reforms into our day-to-day risk management practice so that our programme is effective and sustainable over the long term.

The global fraud landscape is characterised by increasingly sophisticated attacks, targeting online banking and other digital services. We prioritise investment in technology-based defences and relevant training.

We intend to enhance our financial crime risk management with analytical capabilities – including artificial intelligence – that target illicit conduct with greater sophistication and precision. We cultivate a dynamic risk assessment process that enables faster and more accurate detection. And we expect to generate results that we can use and provide to law enforcement, to help keep criminals out of the financial system. This will benefit us, our customers and society at large.

We partner with local police to proactively tackle financial crime. Designated police hotlines are available for staff to report suspected fraud and forgery, protecting our customers from suffering financial loss.

Our staff ensure we consistently operate ethically, honestly and with full accountability. For employees on the frontlines, we provide learning programmes on banking regulations, codes of practice and data privacy. We ensure they are well-informed and vigilant regarding the detection and prevention of illicit and illegal activities such as bribery and corruption, money laundering, sanctions and insider trading. All employees are required to complete a learning programme on these subjects. Staff who work in high-risk roles receive additional, specialised learning regarding the detection and deterrence of financial crime.

In 2020, staff in Hong Kong received

## over 55,900 hours

of policy and procedural learning on bribery and corruption, money laundering and sanctions, conduct, values and regulations.

Financial crime compliance-related issues and progress are updated regularly and on thematic basis to relevant senior management governance committees, including the Executive Committee, the Financial Crime Risk Management Committee, the Risk Management Meeting, and Risk Committee.

In 2020, no judgements were entered against Hang Seng for failing to fight financial crime. Our legal function continues to be a part of the extensive risk mitigation across all of our businesses and functions.



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### Anti-bribery and corruption

We have adopted a dedicated three-year programme to advance its anti-bribery and corruption capabilities. This has strengthened our controls and processes, and improved our register of Associated Persons. The programme now focuses on the global gifts and entertainment register, which provides a consistent way to record, notify, approve and monitor gifts and entertainment. Dedicated personnel oversee anti-bribery and corruption compliance.

As stipulated by the HSBC Group, political contributions and recruitment cannot be used to build business relationships. In the past five years, we made no contributions in any form to lobbyists, trade unions, or political organisations and campaigns.

For our policies on money laundering, bribery, corruption and sanctions, please refer to <https://www.hsbc.com/our-approach/risk-and-responsibility/financial-crime-risk/financial-crime-risk-policies>

### Data privacy

We continually strengthen our Data Privacy policy, instruct staff to report security incidents and provide training on compliance in Hong Kong. Our cybersecurity experts investigate breaches and, if necessary, escalate matters to the major incident group. Specific processes for the handling and protection of customer data are set out in an internal procedure manual. Our Clear Desk policy reduces opportunities for unauthorised data access.

Data privacy is overseen by individual businesses and functions as first-line risk owners, while the Chief Data Officer is the first-line control owner. Our legal function and Data Protection Officer provide second-line oversight. Officers at functional and business units promote data protection and disseminate information on guidelines and developments. (See [Customer Privacy](#) in Our Customers)

Source	Customer privacy substantiated* complaints
Outside parties	8
Regulatory bodies	1
<b>Total</b>	<b>9</b>

Source	Customer privacy substantiated* complaints
Identified leaks	4
Thefts	0
Losses of customer data	4
Others	1
<b>Total</b>	<b>9</b>

\* Substantiated means the cases are considered legitimate after an internal investigation

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### Strengthening cybersecurity

Banks are high-profile targets for criminals seeking financial gain, personal information and disruption. The potential effects of cyberattacks include financial loss, reputational damage and loss of customers.

Protecting our customers and our company from such threats is a key component of our strategy to become a global, connected, digital business. All our IT infrastructure in our operations adopt the industry-standard National Institute of Standards and Technology (NIST) framework. We engage an external consultant to conduct an annual cyber resilience assessment with this framework to assure the security of our IT infrastructure and identify areas that require improvement and funding.

To strengthen our capability, we have developed a Cybersecurity Maturity Improvement Programme. Using threat scenarios witnessed in our industry, our Cyber Risk

Quantification model calculates the likelihood of an attack being successful. This determines the value of projects aimed at risk reduction.

To support the Board and senior management's oversight of cybersecurity, we regularly report on our strategic programmes and key indicators. The board-delegated Risk Committee is supported by the Resilience Risk Governance Meeting that comprises representatives from businesses, IT, risk and senior management. Business risk profiles, mitigation awareness, internal and external cybersecurity incidents, and regulatory requirements are discussed.

We offer security training to all users such as executives and their assistants, privilege users, IT end users, software developers and adopt automated cybersecurity assessment tools. Vulnerabilities across the network, operating systems, application layer, and in-house custom software are managed on a centralised platform and remediated according to priority.

Meanwhile, we continue to invest in defence against ever more sophisticated cyberattacks. We have enhanced our event detection, incident responses, secure development, vulnerability remediation, and protection against malware, application layer attacks and data leakage.

### ESG Interviews

“ Cybersecurity is embedded into every initiative of the Bank. We believe that one critical way to protect the Bank is to embed the culture of cybersecurity awareness and hygiene into the DNA of every single employee to form our human firewall. Hang Seng recognises that customers deposit their money in the Bank because they trust the Bank. ”

**David Chan**  
Chief Information Security Officer



# Being Proactive to Manage Risk

## Managing Different Types of Risk

Staff are required to report cybersecurity incidents to our 24/7 hotline as soon as possible once discovered. Such incidents include the loss of restricted information, leakage of customer data, and suspected or confirmed cyberattacks. These are then dealt with by our cybersecurity analyst and Security Operations Centre, and are reported to management for direction on remediation.

We also share intelligence with law enforcement and the industry. This improves our understanding of – and ability to respond to – the evolving threats faced by our industry.

Cybersecurity learning was delivered throughout 2020. It covered email security and phishing, password management, access control, incident reporting and escalation, secure use of communication devices and social media, our Clear Desk policy, information classification and labelling, system vulnerabilities and patching, ransomware and deliberate denials of service.

Training or communication regarding cybersecurity offered in 2020 included:

- Morning broadcasts and emails to all staff
- Mandatory e-learning for all staff
- Briefings to the Board and Executive Committee members
- Seminars hosted by senior leaders which also featured expert speakers
- Training delivered to selected users and the security community on a risk and skills-based basis

## Equal opportunities, non-discrimination and human rights

Human rights matters are complex and the roles and responsibilities of business and other stakeholders are subject to ongoing international dialogue. We are open to engaging in this dialogue.

We are committed to an inclusive culture. Our people managers are expected to create and foster a strong speak-up culture in their teams, where our staff can be confident that their views matter, that their workplace is free from bias, discrimination and harassment, and that their careers advance based on merit. We uphold diversity and inclusion when hiring. Recruitment is merit-based and free from bias and discrimination. (See [Promoting Equal Opportunities, Diversity and Inclusion](#) in Our People)

To nurture an inclusive and speak-up culture, all staff undertook mandatory training on values and conduct. Workshops are organised for people managers to equip them with knowledge and skills to handle discrimination, harassment and bullying. Diversity learning is also embedded in the induction programme for new joiners.

We have a well-established Disciplinary Procedures for Misconduct and Gross Misconduct policy. This ensures that fair, non-discriminatory and consistent methods are used when dealing with misconduct disciplinary actions.

The Staff Code of Conduct outlines our expectation on human rights matters. With Board representatives' involvement, the People Committee reviews the Staff Code of Conduct on an annual basis. Our commitment to human rights extends to our value chain. (See [Protecting human rights](#))

No incidents of discrimination, or violation of the rights of indigenous peoples, were reported in 2020.



# Being Proactive to Manage Risk

## Managing Different Types of Risk

### Staff code of conduct and staff awareness

All employees are required to follow HSBC Group's [Business Principles](#) and the Staff Code of Conduct, accessible via our intranet. These inform and connect our purpose, values, strategy and risk management principles, guiding us to do the right thing and treat our customers and our colleagues fairly at all times, and with dignity and respect. We do not tolerate discrimination, bullying, harassment and victimisation.

Drawing on regulatory guidelines and industry best practice, the Staff Code of Conduct sets out standards and values to which staff are required to adhere, and legal and regulatory information on topics such as corruption and bribery, conflicts of interest, money laundering, staff personal account dealing, diversity and inclusion, intellectual property, and the reporting of malpractices and misbehaviour.

The Staff Code of Conduct is uploaded to our employee self-help portal in English and Chinese. A circular is issued to all employees and contractors, advising them of the update and reminding them to read and abide by the rules and regulations.

Under our Employees Recognition and Conduct Framework, performance and conduct are factors in our annual staff assessments. Exceptional behaviour or results may merit a bonus.

In 2020, there were 8 identified material cases of non-adherence to our internal Staff Code of Conduct. Apart from reporting to relevant regulator(s) where appropriate, the Bank has been proactive in taking consequence management, depending on the severity level of the cases.

### Conflicts of interest

Stringent internal structures ensure that duties are appropriately segregated. For example, our investment frontline business and investment operations are managed by different departments to avoid conflicts of interest. Staff in sensitive or high-risk areas are required to adhere to specific rules and undergo training on how to avoid conflicts of interest.

### Whistle-blowing

We foster a speak-up culture. (See [Speaking up](#) in Our People) We encourage the reporting of suspected irregularities, human rights abuses and workplace misconduct, and provide grievance and whistle-blowing channels.

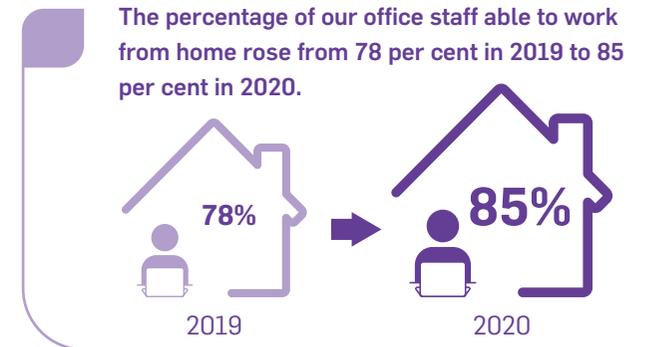
We make every effort to ensure that employees can raise concerns confidentially and without fear of repercussion. Retaliation against whistle-blowers is not tolerated. We adhere to the [HSBC Statement on Whistle-blowing Arrangements](#), and utilise HSBC Confidential: a secure and confidential platform via which staff can raise concerns when normal channels for escalation are unavailable or inappropriate. All whistle-blowing cases are investigated by subject matter experts, in accordance with HSBC Group policies and standards.

Suppliers are encouraged to immediately email [hsbc.vendor.confidential@hsbc.com](mailto:hsbc.vendor.confidential@hsbc.com) in the event of concerns about ethical conduct, including bribery and corruption. Upon receipt of such reports, an independent team investigates and proposes follow-up actions. We also expect suppliers to have grievance mechanisms in place. The [HSBC Group's Ethical and Environmental Code of Conduct for Suppliers of](#)

[Goods and Services](#) provides clear guidance on grievances and disciplinary practices, and includes provisions prohibiting mental, physical and verbal abuse.

### Planning for emergencies

Our documented Business Continuity Plans – including arrangements for site recovery – ensure that critical operations function in emergency situations. Utilising remote computing technology and paperless workflow, we have enhanced the work-from-home readiness of many of our staff. This enables our plans to be flexible and practical, and ultimately makes our operations more resilient.



To maintain core services amid a crisis, extreme weather or a public emergency, a major incident group leads and monitors our contingency plans, and steers appropriate decision for the situation the Bank faces.

# Being Proactive to Manage Risk

## Responsible Value Chain ■■■■

Our financing decisions reflect **our principles, our risk assessments, and the needs of our customers.**



### Promoting responsible financing

Our Corporate Lending policy details our requirements regarding sustainability risks. We observe the [Equator Principles](#): voluntary guidelines for implementing sustainability standards in project finance. Currently, the Bank's portfolio does not have loan under the Equator Principles.

Our business units conduct sustainability risk analyses for all new and existing customers in sensitive sectors listed on next page. This ensures that the products and services we offer are in line with the HSBC Group's [Sustainability Risk Policies](#). Corporate customers are reviewed regularly to monitor compliance with our policies. As of December 2020, we were fully compliant.

We send updates on environmental or social risk-related policies to all relevant staff on a timely basis. Up-to-date policies and guidelines can be accessed by relevant staff via the intranet. Training on our environmental and social policies is included in the New Joiners Induction Programme.

Environmental impact assessments are part of our standard credit evaluations. We talk to customers to assess their environmental policies, achievements and risk mitigation measures.

Maintaining relationships with customers who register significant negative news requires approval from our Reputational Risk Committee. Customers unable to comply with our environmental policies and requirements by a specified deadline must obtain our approval for a temporary exemption or extension. Failing this, our managers will arrange to exit the relationship.

For customers within the scope of our Sustainability Risk Policies, we assess the potential impact of their business on people and the environment, and their ability to manage that impact. A sustainability risk rating is then allocated. Specific standards apply in high-risk areas and, where applicable, approvers take sustainability into account when recommending a relationship or transaction. They also ensure that the sustainability risk ratings are correct, and suggest amendments where necessary.

We continually enrich our investment funds suite – in both manufacturing and distribution – to incorporate products that are in keeping with our approach to ESG. We monitor regulatory and industry developments and explore ways to embed ESG factors in our products. We have established a proxy voting guideline to align our votes on shareholder initiatives with our commitment to ESG. We seek to influence our investee companies to operate more sustainably.



# Being Proactive to Manage Risk

## Responsible Value Chain

### Responsible Financing

We carefully assess environmental and social risks when deciding whether to make a loan or investment. We also adopt our parent company HSBC Group's [Sustainability Risk policies](#). Specific guidelines apply to businesses in sensitive sectors, including those outlined on the right. These guidelines are refined and updated as required and we have mechanisms to ensure our customers remain compliant with these policies.

This embeds ESG into our investment approach, product design and day-to-day operations.



#### Agricultural commodities

We undertake special assessments of customers involved with soy production, cattle ranching or rubberwood production. Enhanced governance aims to ensure that we maintain relationships only with customers who engage in sustainable development. They must operate in accordance with international standards and industry practice, and provide a public commitment to do so.



#### Energy

We do not finance projects involved in coal-fired power plants, offshore oil or gas projects in the Arctic, or greenfield oil sands projects.



#### World Heritage Sites and Ramsar wetlands\*

We avoid supporting projects that may have unacceptable impacts on sites of special international significance.

\* Remarks: The Convention on Wetlands is an inter-governmental treaty to protect wetlands of international importance, signed at Ramsar in Iran in 1971.



#### Forestry

We work with customers to promote sustainable forestry.



#### Chemicals

We adhere to national and international standards. We communicate with our customers to achieve sustainable chemical manufacturing.



#### Defence equipment

We do not provide financial services to customers who manufacture, sell, purchase or use anti-personnel mines, cluster bombs and other weapons.



#### Mining and metals

We assess potential customers linked to human rights abuses, and those with poor track records for work-related fatalities and accidents. We do not provide financing for thermal coal mines.

# Being Proactive to Manage Risk

## Responsible Value Chain

### Maintaining supply chain integrity

We rely on vendors, agencies and third-party financial product suppliers to support our business. This enables us to offer diverse products and services, but potentially exposes us to risks, both reputational and otherwise.

Effective supply chain management is therefore vital to safeguard our brand and business, and to promote responsible practices among companies in our community. We require contractors and suppliers to adhere to our stringent environmental, social and ethical standards and to the principle of continual improvement.

As of 2020, we have **1,550 contracted suppliers**. All are required to acknowledge their compliance with the HSBC Group's Ethical and Environmental Code of Conduct for Suppliers of Goods and Services.

We maintain transparency and fairness in our procurement and contracts processes. Procurement is done on a competitive basis, and strict procedures govern employee conduct when handling such processes. Employees are trained to understand our internal controls and monitoring requirements.

Our Third Party Risk policy provides clear details of the standards we expect our suppliers to uphold, and how we assess their performance. As of 2020, we have 1,550 contracted suppliers. All are required to acknowledge their compliance with the HSBC Group's [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services](#). This code communicates our economic, environmental and social standards, and the requirement for a governance and management structure that ensures compliance.

We monitor suppliers following their appointment and reserve the right to review their policies on demand, procedures or documentation. We may also request an on-site audit to assess compliance with ESG and local regulations.

To ensure that suppliers clearly understand our requirements, sustainability standards are included in our purchasing policy documentation. This enables suppliers to assess their status and develop a plan that meets our standards. They must also make reasonable efforts to ensure that their own supply chains are aware of, and comply with, our standards. We

require our suppliers to establish environmental management system, as part of the due diligence process. To support our carbon-neutral ambition, we also assess the relevant commitment and performance of our suppliers, and ensure environmental considerations are incorporated in their purchasing process.

For financial products and services, we work with reputable third-party suppliers who have demonstrably high corporate standards. Rigorous assessments ensure any investment or insurance solution that we offer meets regulatory requirements and our own standards. We conduct regular reviews to ensure that service providers and their products meet the terms of our agreements.

Electronic signatures in our procurement process help reduce paper consumption and lead times, and provide us with enhanced supplier and information management controls. We encourage suppliers and contractors to use and offer environmentally friendly and recycled products wherever possible.

Using local suppliers demonstrates our support for our community, while eliminating unnecessary transportation reduces our impact on the environment. According to our payment records in 2020, around 91 per cent of our suppliers have presences in Hong Kong. The remainder are in Asia, Europe and the US.

# Being Proactive to Manage Risk

## Responsible Value Chain ■ ■ ■ ■

### Protecting human rights

Our sustainability standards require suppliers to commit to respecting the rights of their employees and of individuals in their communities, and to complying with all relevant legislation, regulations and directives in the countries and areas in which they operate.

We avoid associating with entities with a high risk of human rights violations. The HSBC Group's Ethical and Environmental Code of Conduct for Suppliers of Goods and Services prohibits suppliers who restrict freedom of association or collective bargaining rights, or who use child or forced labour.

We require our suppliers' employment practices should observe HSBC Group's requirements, including to observe the principles of the Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, the Codes of Practice on Employment promulgated by the Equal Opportunities Commission in Hong Kong and local regulations.

Our expectations regarding human rights are communicated to our suppliers via their acceptance of the Ethical and Environmental Code of Conduct for Suppliers of Goods and Services. They must:

- Respect the rights of the people and communities in which they operate, and strive to improve the lives of those people and the conditions in those communities

- Not use child, underage and forced labour
- Not engage in or support human trafficking
- Provide evidence of due diligence regarding their supply chain and labour processes, to ensure they comply with laws on slavery and human trafficking

We assess clients before we commit to corporate lending. We do not provide financial services to customers in the agricultural commodities sector that are involved in, or sourcing from, suppliers involved in the exploitation of people and communities, such as child labour or forced labour. We analyse incidents – including credible allegations – of mining and metal sector customers causing severe adverse impacts on human rights. In such events, we engage the customer and consider the impacts, the potential remedies, and whether we should continue the relationship. For details, please refer to our [Sustainability Risk policies](#).

### Strengthening contractor partnerships

For all operating and capital expenditure, our procurement policy strives for efficiency, transparency, segregation of duties and the most suitable buys. Our procurement team engages with as many suppliers as possible and briefs bidders on our tender requirements. We apply fair competition principles to all applications from appropriately qualified parties, and consider every proposal in an unbiased and honest way. We have zero tolerance for corruption and bribery.

We meet with existing and potential suppliers to review and strengthen business relationships, and keep abreast of market trends.

Before order release and payment, suppliers are subject to checks and ongoing screening. These ensure they do not reside in, are not incorporated in, and do not maintain their primary business operations in sanctioned countries, nor are named on global sanction lists.

### Utilising online risk profiles

Our online platform "Archer" enables internal users to assess service and supplier risks relating to:

- Bribery and corruption
- Money laundering and sanctions
- Business continuity and incident management
- Accounting
- Regulatory compliance
- Security of people and physical assets
- Subcontracting
- Tax
- Insurable risks
- Information and cybersecurity risks

The platform helps us in monitoring risks and supplier management. It automatically proposes and tracks the completion of related controls. It ensures compliance with our Third-Party Risk Management policy. And it enables on-demand reporting, which greatly enhances visibility and control of the most important risks and services. This helps satisfy growing demands from regulators for supplier risk management.