



## Our Suppliers

### Our Approach

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 reputational and other types of risk. Effective supply chain management is therefore key to maintaining the integrity of our operations. We have stringent environmental, social and ethical standards for suppliers.

We require contractors and suppliers to adhere to sustainable business practices and the principle of continual improvement in performance. In return, we provide transparency and fairness in our procurement process and contractual arrangements. Our supply chain requirements are designed to safeguard our brand and business, and to promote responsible practices among companies in our community.

An online platform, launched in October 2018, enables internal users to assess service and supplier risks relating to:

- anti-bribery and corruption compliance;
- anti-money laundering;
- business continuity management;
- external financial reporting;
- regulatory compliance;
- security of people and physical assets;
- subcontracting;
- tax.

The platform also monitors risks, supplier management and contract management for the duration of the engagement. It automatically notifies contract owners and the Procurement Team about the expiration of contracts, and ensures

compliance with the Third Party Risk Management Policy. It enables on-demand reporting, which greatly enhances visibility and control of the most important risks and services, at both aggregate and supplier-specific level. This helps satisfy growing demands from regulators for supplier risk management.

The Procurement Team engages and explores as many suppliers as possible through different means. For instance, conduct briefing sessions to allow bidders to become acquainted with tender requirements. Besides, we meet with existing and potential suppliers to review and strengthen business relationships, and to keep abreast of market trends.

### Establishing the Right Business Partnerships >>

We have clear policies for selecting contractors who fully comply with our supplier sustainability standards. These cover areas such as ethics, health and safety, employment, human rights and environmental performance.

According to our payment records in 2018, around 97% of our suppliers are located in Hong Kong (the remainders are in Asia, Europe and the US). This helps deliver our commitment to minimising our carbon footprint and supporting our local economy.

We do not operate in environments with a high risk of human rights violations. An assessment of our operations has revealed no risk relating to the exercise of freedom of association or

collective bargaining rights. None of our major suppliers and contractors have been identified as having significant risk for child or forced labour.

The Bank is committed to making a positive contribution to human rights in the workplace. We are guided by the International Bill of Human Rights, the UN Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Codes of Practice on Employment promulgated by the Equal Opportunities Commission in Hong Kong. Our Equal Opportunities Policy is stipulated in our Human Resources Manual.



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Before being engaged for tenders over the purchase threshold, all suppliers must declare compliance with our [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services >>](#), as set out in the HSBC Group policy. This Code outlines our economic, environmental and social standards, and the requirement for a governance and management structure that ensures compliance.

All of our suppliers commit to respecting the human rights of their employees and of individuals in their communities, and to complying with all relevant legislation, regulations and directives in the countries and communities in which they operate.

Our prequalifying documents include a questionnaire covering environmental issues. It asks suppliers whether they have an established environmental management system (EMS) and/or

have attained ISO 14001 accreditation. This is assessed as part of the supplier due diligence process.

A sustainability assessment is included in our purchasing policy documentation to ensure that suppliers clearly understand our requirements. It is a useful tool for suppliers to assess their status and work out a development plan that meets our standards.

Suppliers with whom we have regular dealings must have demonstrable management processes that ensure they comply with our Code of Conduct. They must make reasonable efforts to ensure that their own supply chains are aware of, and comply with, our standards.

Our procurement policy governs internal control of operating and capital expenditure, covering all purchases and spending

by the Bank. The policy aims to support operational efficiency, segregation of duties and a requirement to make 'the best suitable buy'. It also ensures transparency throughout the procurement process.

We apply 'fair competition' principles to all tender applications from appropriately qualified parties, and consider every vendor's proposal in an unbiased, honest and equal way. We have a zero-tolerance policy on corruption and bribery.

Before order release and payment settlement, all 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 they named on global sanction lists.

### Monitoring Our Supply Chain

We monitor suppliers following their appointment and reserve the right to randomly review their policies, procedures or documentation against our Code of Conduct. We may request an on-site audit to assess compliance with environmental, social and governance regulations.

Policies guide the ongoing monitoring and improvement of supplier performance. Our Annual Supplier Review and Supplier Risk Management policies provide clear and detailed information on the standards we expect our suppliers to uphold, and how we will assess their performance.

Our procurement is done on a competitive basis, and strict procedures govern employee conduct when handling such processes. The staff responsible are trained to ensure they understand our internal controls and monitoring requirements.

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

For third-party suppliers of financial products and services, we work only with reputable organisations that have demonstrably high corporate standards. Rigorous assessment procedures ensure any investment or insurance solution we offer to customers 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.