



Policy Statement of HSBC Germany

on its Human Rights and Environment related Due Diligence Obligations

pursuant to SCDDA Section 6, Paragraph 2

1st of January 2024

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1 Preface¹

All individuals possess the same inalienable rights and fundamental freedoms from birth. The 'Universal Declaration of Human Rights' by the United Nations (UN) calls upon each individual and all societal entities to recognize and implement these rights. Financial institutions also bear the responsibility to contribute to the protection of human rights. HSBC Germany is aware of its corporate responsibility to respect human and environmental rights. Therefore, it commits to uphold these rights within its own business operations and supply chain, providing affected parties of human rights and environmental violations access to remedies.

With this declaration of principles, HSBC Germany fulfills its obligations under the German Supply Chain Due Diligence Act (SCDDA) in its current applicable version. The purpose of this policy statement is to comprehensively outline how HSBC Germany, in accordance with the requirements of the SCDDA, respects human rights and manages environmental risks that may arise in its supply chains, including its own business operations.

2 Adherence to Supply Chain Due Diligence Obligations

Due to the size classifications for companies, the SCDDA will first apply to HSBC Germany as of January 1, 2024. This requires companies to fulfill their due diligence obligations within their own business and supply chains and to implement them appropriately, depending on the nature and scope of their business activities.

The supply chain under the SCDDA refers to all products and services of a company. It encompasses all steps, both domestically and internationally, that are necessary for the production of products and the provision of services, starting from the extraction of raw materials to the delivery to the end customer. The own business operations within the meaning of the SCDDA cover every activity of the company aimed at achieving its corporate objectives. This includes any activity related to the production and disposal of products and the provision of services, regardless of whether it occurs at a domestic or international location. In affiliated companies, a subsidiary is considered part of the own business operations of the parent company if the parent company exerts a decisive influence on the subsidiary.

For the purpose of adequate implementation, the SCDDA specifies numerous human rights and environmentally related risks, defining them broadly as a condition where, with sufficient probability or due to actual circumstances, a violation of one of the prohibitions listed in SCDDA section 2, paragraphs 2 and 3 is threatened. A complete overview of the prohibitions can be found in the appendix to this policy statement.

3 The Risk Management Framework of HSBC Germany

In order to meet the due diligence requirements of the SCDDA, HSBC Germany has implemented an adequate and effective risk management system embedded in all relevant business processes. The responsibility for risk management to comply with due diligence obligations according to SCDDA section 4, paragraph 3, lies with the branch executive management of HSBC Germany. To give this responsibility the operational significance it deserves, HSBC follows the recommendation of the SCDDA and has appointed a Human Rights Officer. This officer monitors, coordinates, and directly reports to the branch management on the implementation of due diligence obligations arising from the SCDDA. This crucial role is assigned to the Chief Risk Officer of HSBC Germany, who is a permanent member of the branch executive management. The Human Rights Officer is supported operationally and in advisory capacities by other key units of the bank.

¹ HSBC Germany provides its SCDDA policy statement in both versions, German and English. It is pointed out that the English version serves informational purposes only and that the German version therefore shall be authoritative.

In line with the due diligence obligations of the SCDDA, HSBC Germany has integrated the following elements into its risk management framework:

- ✓ Identification and assessment of human rights and environmentally related risks, including an annual (where appropriate ad hoc) risk analysis, concerning the own business operations and direct supply chain. It is crucial to highlight that the identification and assessment of SCDDA risks must be carried out from the perspective of (potentially) affected parties.
- ✓ Definition and implementation of preventive measures (and, if necessary, case-specific remedial measures) to effectively prevent, reduce, or eliminate human rights related and environmentally related risks.
- ✓ Annual (and as needed ad hoc) execution of effectiveness tests to assess the adequacy of human rights and environmentally related risk analyses, as well as preventive and remedial measures.
- ✓ Implementation of risk analysis procedures and preventive measures with special regard to indirect suppliers where HSBC Germany has actual indications of human rights and environmentally related risks (substantiated knowledge).
- ✓ Introduction of a grievance mechanism that allows (potentially) affected parties to report human rights and environmentally related risks and violations. The scope of affected parties is deliberately broad, including all individuals within and outside HSBC Germany's direct and indirect supply chains, as well as all employees in the own business units and subsidiaries of HSBC Germany.
- ✓ Implementation of SCDDA-related internal reporting structures, compliance documentation, and annual disclosure processes.

4 Risk Analysis Process of HSBC Germany

HSBC Germany considers it its duty to understand the impact of its actions on people and the environment along its own business structures and direct supply chain. For this purpose, an initial risk analysis was carried out, which systematically examined all SCDDA-relevant human rights and environmental risks at individual supplier level and own business operations levels. These risk analyses are continuously integrated into HSBC's daily business processes by gradually expanding the existing onboarding process for new suppliers by the assessment of SCDDA risks. Additionally, it may be necessary to conduct an event-driven risk analysis, if a significantly changed risk situation in the supply chain is anticipated due to the introduction of new products, projects, or a new business area.

For an initial, generic assessment of the overall risk situation, all SCDDA relevant human rights and environmental risks were initially evaluated through an 'abstract risk analysis' using country- and industry-specific risk data. This provided an individual probability measure for the occurrence of human rights and environmentally related risks at the level of each supplier. In the next step, the 'specific risk analysis' examined those suppliers for whom an increased risk of human rights or environmental violations had been identified. To appropriately assess and respond to the results of the risk analysis, a so-called 'gap analysis' follows. In this analysis, the current status of already implemented preventive measures is compared with the identified risk situation and their adequacy in terms of nature and extent of the risk is assessed. If gaps are identified, remedial action are taken to address them sufficiently.

After an initial risk assessment, the risk analysis of HSBC Germany's own business operations has revealed that the human rights and environmental risk categories as outlined in SCDDA section 2 paragraphs 2 and 3

(see appendix) are associated with an overall low probability of occurrence based on the nature of HSBC Germany's own business structures. Consequently, in accordance with SCDDA section 6 paragraph 2 no. 2, none of the mentioned risks stands out as particularly relevant, leading to the conclusion that HSBC Germany applies the same level of diligence and attention to each risk category without making specific distinctions. Each risk category is given equal priority.

The initial risk analysis of HSBC Germany's direct supply chains has indicated that the human rights and environmental risk categories as outlined in SCDDA section 2 paragraphs 2 and 3 are associated with a very low to moderate probability of occurrence based on the individual nature of supplier relationships. Pursuant to SCDDA section 6 paragraph 2 no. 2, the supplier-related evaluation of risk categories has led to focus on human rights risks, with the two risk categories of "disregard for occupational health and safety hazards" (SCDDA section 2 paragraph 2 no. 5) and "destruction of the natural environment through environmental pollution" (SCDDA section 2 paragraph 2 no. 9) moderately standing out from the remaining human rights related risk categories. Regarding the analysis of environmental risks instead, the supplier analysis of HSBC Germany results in a very low risk assessment.

5 Expectations towards Employees and Direct Suppliers of HSBC Germany regarding SCDDA-related Risks

HSBC Germany has the following expectations for its employees and suppliers regarding their respect for human rights and environmental due diligence requirements:

5.1 Employees

HSBC Germany respects the human rights of its employees. Within the framework of its global, corporate-wide code of conduct, the bank specifies its understanding of human and environmental rights and commits to comply with them. The code of conduct is an integral part of the practiced HSBC corporate culture and applies without exception or restriction to all employees. HSBC considers it a duty to raise awareness among its employees regarding the respect for human and environmental rights and to provide the necessary knowledge to effectively implement the established human and environmental due diligence processes. To achieve this, regular themed days are organized, thematic newsletters are distributed to all employees, and training sessions are conducted. Additionally, these guidelines are incorporated into the local principles and regulations of HSBC Germany.

5.2 Suppliers

At the beginning of a new supplier relationship, all suppliers receive a code of conduct outlining the expectations and requirements for suppliers to HSBC Germany in safeguarding human rights and protecting the environment. This establishes clear expectations for all suppliers to both, adhere to human and environmental rights requirements themselves and to obligate their own suppliers to comply with the corresponding provisions. Violations of these standards by a supplier may lead to the termination of the business relationship in severe cases.

HSBC's daily procurement decisions are guided by its globally defined ethical values, firmly embedded in its own corporate culture. HSBC expects its suppliers to avoid human rights and environmental risks, respect human rights within their own companies and throughout their supply chains, and take appropriate preventive measures.

As part of its own preventive measures concept, HSBC Germany expects its suppliers to sign a contractual declaration as required by the SCDDA pursuant to section 6, paragraph 4, No. 2. Suppliers are further expected to independently take appropriate measures to prevent, reduce, or entirely rectify violations of the prohibitions outlined in SCDDA section 2, paragraphs 2 and 3. Additionally, HSBC requires its suppliers to provide adequate support, in accordance with the SCDDA requirements, for the supplier risk analysis to be carried out, for the implementation of preventive and remedial measures, for the enforcement of SCDDA obligations towards indirect suppliers and for the execution of appropriate measures under the SCDDA complaints procedure.

6 Preventative Measures of HSBC Germany

Should HSBC Germany identify a significant risk as a result of the risk analysis within its own business operations, immediate and appropriate preventive measures must be carried out, in particular:

- ✓ The seamless implementation of the human rights strategy, as outlined in the policy statement, within the identified risky business processes.
- ✓ The development and implementation of suitable business practices to mitigate or avoid the identified risks.
- ✓ The conduct of training and raising of awareness among employees in the relevant business areas.
- ✓ The implementation of risk-based control measures to verify compliance with the human rights strategy within the own business operations.

If the abstract or specific supplier risk analysis identifies increased risks for a direct supplier, immediate preventive measures are required, which particularly include:

- ✓ The consideration of human rights and environmental expectations within the selection process of a direct supplier.
- ✓ Obtaining a contractual declaration from a direct supplier that it adheres to HSBC Germany's human rights and environmental requirements and addresses them adequately throughout the supply chain.
- ✓ The agreement on appropriate contractual control mechanisms and the implementation of trainings to enforce the contractual declaration of the direct supplier.
- ✓ Conducting risk-based control measures based on the agreed-upon control mechanisms to verify compliance with the human rights strategy at direct supplier level.

If HSBC Germany gains substantiated knowledge of a potential violation of human rights or environmental obligations by an indirect supplier, an ad hoc risk analysis is immediately conducted, aiming to identify and embed appropriate preventive measures. It also sets out a plan to minimize and avoid the human rights or environmental obligations that have been violated. The defined measures are then implemented and assessed for their appropriateness and effectiveness.

HSBC Germany will review at least annually, and as needed on an ad hoc basis, how effective its implemented measures are in view of preventing and minimizing adverse effects from SCDDA risks. It will also assess whether all relevant requirements are being met. In the event that HSBC has directly or indirectly contributed to a violation of human and environmental rights, it will immediately seek to eliminate the causes or minimize their extent. Furthermore, HSBC will strive for restitution in every case to reverse or remedy any breaches or damages to the best possible extent.

7 Remedial Actions of HSBC Germany

In the event of an already occurred or imminent violation of human rights or environmental obligations, the so-called “remedy process” will take effect. This process aims to eliminate or at least minimize the adverse effects of SCDDA related risks within the own business operations or the supply chain. Any identified human rights or environmental issue is addressed to the HSBC Human Rights Officer, who investigates the incident and assesses its criticality. Depending on the extent and expected impacts, case-specific remedial measures are developed, and expert advice may be sought if necessary. In addition, there will be a direct exchange with the involved parties to agree on effective remedial measures and establish an appropriate implementation timeframe. The Human Rights Officer monitors the identified incidents and assesses the adequacy of the implemented preventive and remedial measures. Furthermore, each incident triggers a 'Lessons Learned' analysis, documenting how a recurrence of the violation should be prevented in the future.

If HSBC Germany identifies a human rights related or environmental violation by a direct supplier that cannot be terminated in the foreseeable, near future, a concept to end or minimize the breach of obligation is promptly developed and implemented. In any case, the concept must include a specific timetable and consider the following measures:

- ✓ The joint development and implementation of a plan to terminate or minimize the violation with the company causing the breach of obligation.
- ✓ Collaboration with other companies within industry initiatives and industry standards to increase influence on the supplier.
- ✓ Temporary suspension of the business relationship with the supplier during the time of undertaking efforts to minimize the risk.

In particularly severe cases, where timely remedy is not achievable and the incident cannot be significantly reduced or remedied, the temporary suspension of the business relationship is the immediate consequence, which can lead to the ultimate termination of the business relationship.

HSBC Germany reviews the effectiveness of remedial measures at least annually and on an ad hoc basis, if there is an expectation of significantly changed or expanded risks in its own business operations or with the direct supplier, such as the introduction of new products, projects, or a new business area.

8 Grievance Mechanism of HSBC Germany

The SCDDA compliant grievance mechanism constitutes a fundamental cornerstone of HSBC Germany's human rights and environmental due diligence processes. It gives potentially affected parties the opportunity to report violations of human rights and environmental protection within the company's own business processes or supply chains, optionally anonymously if desired. The process is open to anyone directly or indirectly affected by such violation of due diligence.

The aim is to offer assistance to the affected parties as quickly and efficiently as possible and, within the company's sphere of influence, to effectively remedy the situation. For this purpose, HSBC Germany has appointed an external ombudsman as the centralized entry point for complaints under the SCDDA. All incoming reports and suspicions of possible human and environmental rights violations are initially reviewed by the 'SCDDA Grievance Committee'. Typically, a designated case manager handles the processing, with varying steps depending on the individual case specifics. All HSBC employees involved in the review and processing are bound by confidentiality and independently assess the complaint.

Given the contact details of the complainant are available, the receipt of the complaint will be confirmed within 7 days and further case details may be requested, if necessary. HSBC Germany strives to provide feedback on every problem brought to its attention within 3 months at the latest; interim updates may be provided if necessary.

HSBC Germany's company website provides a description of HSBC Germany's existing SCDDA complaint procedure, including all necessary contact information for submitting a complaint. Every incoming complaint is treated confidentially, and effective protection against discrimination or retaliation by HSBC Germany is ensured. Additionally, any whistleblower can choose to remain anonymous when contacting HSBC.

The effectiveness of the complaint procedure is reviewed annually and on an ad hoc basis, if required.

9 Documentation and Reporting

As part of the in-house risk management of HSBC Germany, the fulfillment of human rights and environmental due diligence obligations is continuously documented, with a statutory retention period for all documents set at 7 years. Additionally, HSBC Germany will annually report on the fulfillment of its LkSG due diligence obligations to the BAFA (Federal Office for Economic Affairs and Export Control) in accordance with SCDDA section 10, paragraph 2. The reporting obligation becomes effective on January 1, 2025, covering the reference year 2024 as first reporting period. The report must be published on the HSBC website no later than four months after the end of the previous fiscal year and remain accessible free of charge for a period of seven years.

10 Effectiveness Testing

Under the responsibility of HSBC Germany's Human Rights Officer, the SCDDA relevant due diligence processes are reviewed at least annually (and as needed on an ad hoc basis) for their appropriateness and effectiveness. This includes the processes of risk analysis, preventive and remedial measures, the complaint procedure, and the HSBC governance structure within the SCDDA risk management framework. The aim is to uncover any procedural weaknesses in order to identify and address potential adverse effects resulting from human and environmental rights violations.

This policy statement is continually reviewed and revised as needed. The current statement, along with information on other positions, reports, and guidelines of HSBC Germany, can be found at 'www.hsbc.de'.

Appendix

Human Rights Risks pursuant to SCDDA Section 2, Paragraph 2

1. The prohibition of the employment of a child under the age at which compulsory schooling ends according to the law of the place of employment, provided that the age of employment is not less than 15 years, except where the law of the place of employment so provides in accordance with Article 2 (4) and Articles 4 to 8 of Convention No. 138 of the International Labour Organization of 26 June 1973 concerning Minimum Age for Admission to Employment;
2. The prohibition of the worst forms of child labour for children under 18 years of age; in accordance with Article 3 of Convention No. 182 of the International Labour Organization of 17 June 1999 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (Federal Law Gazette 2001 || pp. 1290, 1291) this includes:
 - a. all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom, as well as forced or compulsory labour, including the forced or compulsory recruitment of children for use in armed conflicts;
 - b. the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
 - c. the use, procuring or offering of a child for illicit activities, in particular for the production of or trafficking in drugs; and
 - d. work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.
3. The prohibition of the employment of persons in forced labour; this includes any work or service that is required of a person under threat of punishment and for which he or she has not made himself or herself available voluntarily, for example as a result of debt bondage or trafficking in human beings; excluded from forced labour are any work or services that comply with Article 2 (2) of Convention No. 29 of the International Labour Organization of 28 June 1930 concerning Forced or Compulsory Labour (Federal Law Gazette 1956 || p. 640, 641) or with Article 8 (3) (b) and (c) of the International Covenant of 19 December 1966 on Civil and Political Rights (Federal Law Gazette 1973 || pp. 1533, 1534);
4. The prohibition of all forms of slavery, practices akin to slavery, serfdom or other forms of domination or oppression in the workplace, such as extreme economic or sexual exploitation and humiliation.
5. The prohibition of disregarding the occupational safety and health obligations applicable under the law of the place of employment if this gives rise to the risk of accidents at work or work-related health hazards, in particular due to:
 - a. obviously insufficient safety standards in the provision and maintenance of the workplace, workstation and work equipment;
 - b. the absence of appropriate protective measures to avoid exposure to chemical, physical or biological substances;
 - c. the lack of measures to prevent excessive physical and mental fatigue, in particular through inappropriate work organisation in terms of working hours and rest breaks; or
 - d. the inadequate training and instruction of employees.

6. The prohibition of disregarding the freedom of association, according to which
 - a. employees are free to form or join trade unions,
 - b. the formation, joining and membership of a trade union must not be used as a reason for unjustified discrimination or retaliation,
 - c. trade unions are free to operate in accordance with applicable law of the place of employment, which includes the right to strike and the right to collective bargaining.

7. The prohibition of unequal treatment in employment, for example on the grounds of national and ethnic origin, social origin, health status, disability, sexual orientation, age, gender, political opinion, religion or belief, unless this is justified by the requirements of the employment; unequal treatment includes, in particular, the payment of unequal remuneration for work of equal value.

8. The prohibition of withholding an adequate living wage; the adequate living wage amounts to at least the minimum wage as laid down by the applicable law and, apart from that, is determined in accordance with the regulations of the place of employment.

9. The prohibition of causing any harmful soil change, water pollution, air pollution, harmful noise emission or excessive water consumption that
 - a. significantly impairs the natural bases for the preservation and production of food,
 - b. denies a person access to safe and clean drinking water,
 - c. makes it difficult for a person to access sanitary facilities or destroys them or
 - d. harms the health of a person.

10. The prohibition of unlawful eviction and the prohibition of unlawful taking of land, forests and waters in the acquisition, development or other use of land, forests and waters, the use of which secures the livelihood of a person.

11. The prohibition of the hiring or use of private or public security forces for the protection of the enterprise's project if, due to a lack of instruction or control on the part of the enterprise, the use of security forces
 - a. is in violation of the prohibition of torture and cruel, inhumane or degrading treatment,
 - b. damages life or limb or
 - c. impairs the right to organise and the freedom of association.

12. The prohibition of an act or omission in breach of a duty to act that goes beyond nos. 1 to 11, which is directly capable of impairing a protected legal position in a particularly serious manner, and the unlawfulness of which is obvious upon reasonable assessment of all the circumstances in question.

Environmental Risks pursuant to SCDDA Section 2, Paragraph 3

1. The prohibition of the manufacture of mercury-added products pursuant to Article 4 (1) and Annex A Part I of the Minamata Convention on Mercury of 10 October 2013 (Federal Law Gazette 2017 | | pp. 610, 611) (Minamata Convention).
2. The prohibition of the use of mercury and mercury compounds in manufacturing processes within the meaning of Article 5 (2) and Annex 8 Part I of the Minamata Convention from the phase-out date specified in the Convention for the respective products and processes.
3. The prohibition of the treatment of mercury waste contrary to the provisions of Article 11 (3) of the Minamata Convention.
4. The prohibition of the production and use of chemicals pursuant to Article 3 (1) (a) and Annex A of the Stockholm Convention of 23 May 2001 on Persistent Organic Pollutants (Federal Law Gazette 2002 II pp. 803, 804) (POPs Convention), last amended by decision of 6 May 2005 (Federal Law Gazette 2009 | pp. 1060, 1061), in the version of Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants (OJ L 169 of 26 May 2019 pp. 45-77), as last amended by Commission Delegated Regulation (EU) 2021/277 of 16 December 2020 (OJ L 62 of 23 February pp. 1-3).
5. The prohibition of the handling, collection, storage and disposal of waste in a manner that is not environmentally sound in accordance with the regulations in force in the applicable jurisdiction under the provisions of Article 6 (1) (d) (i) and (ii) of the POPs Convention.
6. The prohibition of exports of hazardous waste within the meaning of Article 1 (1) and other wastes within the meaning of Article 1(2) of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal of 22 March 1989 (Federal Law Gazette 1994 II pp. 2703, 2704) (Basel Convention), as last amended by the Third Ordinance amending Annexes to the Basel Convention of 22 March 1989 of 6 May 2014 (Federal Law Gazette II pp. 306, 307), and within the meaning of Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste (OJ L 190 of 12 July 2006 pp. 1-98) (Regulation (EC) No 1013/2006), as last amended by Commission Delegated Regulation (EU) 2020/2174 of 19 October 2020 (OJ L 433 of 22 December 2020 pp. 11-19)
 - a. to a party that has prohibited the import of such hazardous and other wastes (Article 4 (1) of the Basel Convention),
 - b. to a state of import as defined in Article 2 no. 11 of the Basel Convention that does not consent in writing to the specific import, in the case where that state of import has not prohibited the import of such hazardous wastes (Article 4 (1) (c) of the Basel Convention),
 - c. to a non-party to the Basel Convention (Article 4 (5) of the Basel Convention),
 - d. to a state of import if such hazardous wastes or other wastes are not managed in an environmentally sound manner in that state or elsewhere (Article 4 (8) sentence 1 of the Basel Convention).
7. The prohibition of the export of hazardous wastes from countries listed in Annex VII to the Basel Convention to countries not listed in Annex VII (Article 4A of the Basel Convention, Article 36 of Regulation (EC) No 1013/2006).
8. The prohibition of the import of hazardous wastes and other wastes from a non-party to the Basel Convention (Article 4 (5) of the Basel Convention).