

# KLEINWORT HAMBROS - MODERN SLAVERY ACT 2015 STATEMENT

## Message from Frédéric Oudéa, Chief Executive Officer

*“For Societe Generale, being a responsible company lies at the very heart of our business lines’ mission and reflects the essence of the relationship bank of reference that we strive to be. Being responsible must be tangible in each of our decisions, positions and actions.*

*As a key player in financing the economy, our mission is to offer the best solutions to individuals, companies and institutions, in order to support them in the development of their projects, the management of their financial resources and the mitigation of their risks. Our success in doing so relies on women and men, whether they are employees, contractors or any other stakeholders. Therefore, respecting human rights and dignity is part of how we perform our mission. This is why we are committed to improving our practices to protect human rights<sup>1</sup> and avoid any violation within our sphere of influence.”*

## Message from Caroline Guillaumin, Group Head of Human Resources at Societe Generale

*“We are proud to be taking our agreement with UNI Global Union even further. It confirms our commitment to respecting human rights as set out in our Code of Conduct and our recognition of the International Labour Organisation’s Fundamental Principles and Rights at Work, including the freedom of association.”*

## I. Introduction

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This statement is issued in response to the UK’s Modern Slavery Act (the “Act”) which came into force on 29 October 2015. The Act requires the disclosure by large organisations carrying on business in the UK, in an annual statement, of the steps taken to prevent modern slavery from occurring in their own operations and in their supply chains. This statement is made on behalf of the Societe Generale Group (the “Group”) in respect of the financial year ended 31<sup>st</sup> December 2019. Each of the Group’s subsidiaries which is directly subject to the Act may rely on this statement for its own declaration.

### Our Group

Societe Generale is one of the leading financial services groups in Europe. With a solid position in Europe and an overall presence in 62 countries, the Group’s 138,000 employees support more than 29 million individual clients, together with large corporates and institutional investors worldwide. For the year 2019, the Group had a Net banking income of EUR 24.7 bn.

The Group has built a solid diversified banking model structured around three complementary pillars: French Retail Banking; International Retail Banking and Financial Services, and Global Banking and Investor Solutions. The Group is organised into 16 Business Units and 9 Service Units, each directly reporting to the Group’s General Management. A detailed presentation of the Group’s business model and activities is set out in the Group’s Universal Registration Document<sup>2</sup>.

### Our company

Hambros Bank was established in the UK in 1839. Following a series of acquisitions as Hambros Bank it was ultimately acquired by Societe Generale in 1998 and on 6 June 2016 Kleinwort Benson was purchased by SG Hambros Limited, a subsidiary of Société Générale, to form Kleinwort Hambros. With employees across a network of offices in the UK, Jersey, Guernsey and Gibraltar, Kleinwort Hambros has a range of teams offering services to private clients around the world.

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<sup>1</sup> In this document, the term “human rights violations” is used to encompass all forms of slavery and human trafficking, including forced labour, child labour, domestic servitude, workplace abuse and human trafficking.

<sup>2</sup> [https://www.societegenerale.com/sites/default/files/documents/Document-d-enregistrement-universel/2020/sg\\_urd\\_eng\\_2020.pdf](https://www.societegenerale.com/sites/default/files/documents/Document-d-enregistrement-universel/2020/sg_urd_eng_2020.pdf)

## Our supply chains

In 2019, Kleinwort Hambros' main spend categories were IT (software and services), business process outsourcing services, consulting, recruitment, facilities management, real estate, transport and travel. Kleinwort Hambros works with large international groups and SMEs to fill its various purchasing needs in the UK, the Channel Islands and Gibraltar.

## II. Legal obligations and commitments

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The Group acts with integrity and in compliance with the laws and regulations applicable to its activities. The Group is subject to certain obligations relating to the management of both environmental and social (“E&S”) risks and human rights risks (which include modern slavery).

In response to the French Duty of Care Act<sup>3</sup>, Societe Generale establishes and implements a Duty of Care plan (“the **Plan**”). This Plan aims at identifying risks and preventing serious breaches in respect of each of human rights, fundamental freedoms, the health, safety and security of persons, and the environment as a result of the Group's activities. The annual presentation of this Plan and its effective implementation can be found in the Group's Universal Registration Document<sup>4</sup>.

The Group is fully committed to maintaining and improving its processes designed to limit the risk of human rights violation, including modern slavery, in the Group's own operations, in its supply chains, and as may be directly connected with its products and services.

The Group's commitments towards human rights are guided by each of the following standards and initiatives:

- The Universal Declaration of Human Rights (1948), the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights;
- The Fundamental Conventions of the International Labour Organisation (“ILO”), which cover issues related to forced labour and slavery, child labour, discrimination, freedom of association and decent working conditions;
- The United Nations Guiding Principles on Business and Human Rights;
- The OECD Guidelines for Multinational Enterprises;
- The United Nations Global Compact;
- The Principles for Responsible Banking;
- The Equator Principles.

## III. Our policies and processes in relation to slavery and human trafficking

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### Our policies

The Group acts in compliance with the legal and regulatory framework of each of the countries in which it operates. In certain jurisdictions where it may be identified that the legal and regulatory framework may not provide sufficiently security, the Group uses as a reference the international standards and initiatives in terms of respect and protection of human rights which are listed above.

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<sup>3</sup> French Act of 27th March 2017 on the Duty of Care of Parent and Subcontracting Companies.

<sup>4</sup> [https://www.societegenerale.com/sites/default/files/documents/Document-d-enregistrement-universel/2020/sg\\_urd\\_eng\\_2020.pdf](https://www.societegenerale.com/sites/default/files/documents/Document-d-enregistrement-universel/2020/sg_urd_eng_2020.pdf)

Societe Generale and Kleinwort Hambros relevant policies and commitments which aim to address the reduction of the risk of human rights violations include, but are not limited to, the following:

- Societe Generale's **Code of Conduct** in which the Group commits to respect human rights (including those relating to modern slavery and human trafficking) and to comply with the rules established by the ILO fundamental conventions. This Code applies to all Societe Generale Group employees. In addition, the Group expects its suppliers and those with whom it conducts business relationships to implement practices that are, or aim to be, consistent with this Code;
- The **Worldwide Agreement on fundamental human rights and trade union rights** – signed between Societe Generale and UNI Global Union in 2015, and which was reinforced and renewed for 3 years in February 2019;
- Internal policies, formal processes and agreements relating to human resources – in certain cases being submitted to trade union agreement;
- The Group's **Policy on Responsible Sourcing & Compliance Rules Applicable to Sourcing** – appended to the renewed UNI Global agreement;
- The Group's **Environmental and Social Guidelines for Business Engagement**;
- The Group's **Policy on the Fight Against Money Laundering and Terrorist Financing Within the Societe Generale Group** (internal document);
- The Group's **Anti-Bribery and Corruption Policy** (internal instruction) and a dedicated Code Governing the Fight against Corruption and Influence Peddling.

## Our risk assessment and management processes

Over the years, Societe Generale has implemented a number of processes and has taken various steps in order to prevent modern slavery and human trafficking in the Group's activities and in the Group's supply chains and it continues to develop its work in this area.

The most significant elements of its risk assessment and management processes include:

- An inherent risk mapping exercise:

Last year, in the context of its Duty of Care Plan, the Group identified and mapped the risks of breaches of human rights, fundamental freedoms, health, safety and security inherent in the banking sector, and also such risks inherent in the various industry sectors of its suppliers and sub-contractors, and the activities in respect of which it provides products and/or services.

These identified risks were then prioritised into four categories from low to high based on sector-related data, including:

- the severity of the potential impact;
- the scale of the potential impact (such as the number of people potentially affected);
- the likelihood of the potential impact.

- Overall internal self-assessment exercises

Measures taken to identify and manage human rights risks are monitored through internal self-assessment exercises. In 2019 the Group conducted a self-assessment to:

- monitor implementation of E&S risk management processes in the Business Units;
- identify areas for improvement and monitor the ensuing action plans; and
- leverage additional indicators for monitoring the measures taken by the Group.

Societe Generale also performed an internal audit of the Duty of Care project at the start of 2019, which focused on the Sourcing function. This audit identified two improvement priorities: to formally set out the controls and to extend the scope of the measures implemented outside the Sourcing Network. Action plans were introduced in response to this and will be implemented by the end of 2020.

- The effective implementation of an enhanced whistleblowing framework throughout the Group:

In the context of French laws, the Group decided to reinforce its Group-wide whistleblowing framework. This evolution has been rolled out in France and internationally in 2019.

Whistleblowers can now use the framework to report any potential or actual violations in respect of human rights, fundamental freedoms, health and safety or the environment. It is available to all employees, as well as to external or temporary staff and service providers working with the Group on an established basis (as subcontractors or suppliers). It is hosted on a secure external platform offering the guarantees required by the law *i.e.* protection of personal data and strict confidentiality of any information provided.

The Group's Code of Conduct was updated in 2019 to reflect this new whistleblowing process and reiterates that Societe Generale protects whistleblowers, guarantees that it will keep their identity strictly confidential throughout the entire Group, and guarantees anonymity where possible under local law.

### *Regarding our employees*

- The worldwide agreement on fundamental human rights and trade union rights which Societe Generale signed with **UNI Global Union** in 2015, was reinforced and renewed in February 2019 for a further three years.  
This agreement applies to all of the Group's 138,000 employees throughout its 62 countries of operation and aims to ensure fair working conditions, prevent any form of employment-related discrimination, and to respect health and safety regulations and freedom of association. It incorporates:
  - the fight against discrimination and the development of diversity in all Human Resources management processes (a subject already introduced in the initial agreement),
  - maintaining a working environment conducive to health, safety and satisfying working conditions for all employees.
  - punctual discussions with UNI Global Union on the application of these commitments and a yearly follow-up meeting gathering UNI Global Union representatives and the Bank's Human Resources Division.
- Group-level HR governance, along with labour relations bodies to monitor working conditions and trade union freedom, structured around:
  - Group-level HR division members being in charge of social dialogue to ensure freedom of association and staff representation at Group level;
  - Human resources officers working on employment conditions and occupational health and safety together with employment law teams each working both at Group level and with local support team members;
  - Operational risk management and compliance teams acting as a second line of defence on different dimensions of the human resources and security risk management system.
- Human Resources and safety risk monitoring and assessment based on:
  - Internal and external audits of the Group's human resources policies and standards for health, safety and security, which have also resulted in the implementation of action plans adapted to those areas identified for improvement;
  - Direct consultations with employees concerning general employee satisfaction and working conditions, implemented through the Group Employee Satisfaction Survey and local surveys.

### **The main steps taken in 2019 include:**

- **An inherent risk mapping on human rights:** This analysis aimed at identifying potential human rights risks for employees in each location of the Group worldwide, taking into account local human resources and human rights related regulations.

This risk mapping was reviewed and updated in 2019 using external databases that detail the risk levels specific to each country of establishment and to the financial sector (commercial banking, retail banking, asset management, financial markets and more). The geographic criteria include the status of the country's ratification of the ILO fundamental conventions, its employment regulations, their effective implementation, and its track record (especially as regards to human rights violations).

Results: Taken as a whole and covering all human rights analysed, no Group employee is in a country considered to be high risk according to the external databases consulted; 23% of the Group's employees are in countries representing a moderate risk for the financial sector: Russia,

Mexico, Ghana, Brazil, Ivory Coast, Madagascar, United Arab Emirates, Congo, Benin, India, Chad, Cameroon, Turkey, Guinea, China and Equatorial Guinea.

- **An overall internal self-assessment exercise on residual risk to evaluate the quality of the group's systems** to protect its employees against human rights risks. The questions pertain to the implementation of Group policies as well as formal local policies and processes and the checks performed on a range of issues:

*Results:* This year's self-assessment exercise covered entities representing 99% of the Group's workforce, up from 89% in 2018. Overall, the assessment of the risk management systems in the Group's entities shows that:

- entities with insufficiently effective policies or processes and located in high or medium-high risk countries in terms of human rights employ less than 2% of the workforce;
- entities with insufficiently effective controls and located in at-risk countries employ 8% of the Group's workforce.

### *Regarding our suppliers*

At the date of this statement, Societe Generale's internal processes described hereafter, principally address spending managed from France by the Sourcing Division.

The Group's Sourcing Division has developed and provides guidance tools to its buyers to enable them to manage E&S and human rights risks at various stages of the purchasing process. The purpose of these tools is to identify, assess and manage E&S and human rights risks, both at the level of the product or service purchased and at the level of the supplier or service provider. These tools are used for purchases managed by the Sourcing Division and are being deployed internationally. They include:

- Identification of potential risk areas based on:
  - consultation of the map of the E&S risks of the products and services;
  - Know Your Supplier (KYS) analysis - this KYS process is based on both Societe Generale's own and on international standards for operational, compliance and reputational risk management and includes a review of E&S controversies.
- Monitoring of potential risk areas through:
  - the integration of mandatory E&S criteria into requests for tender, and the application of an E&S component in the rating of suppliers' offers, in each case depending on the products or services purchased;
  - the review of suppliers' extra-financial evaluation (targeted suppliers only).
- Mitigation of human rights violation risks within our direct supply chains: when the Sourcing Division identifies a potential risk of human rights violation by a supplier (through an alert raised, a controversy check or a drop in a supplier's E&S rating) a remediation plan is put in place and Societe Generale reserves the right to carry out a supplier on-site E&S audit.

### **The main steps taken in 2019 include:**

- A review of the inherent E&S risk levels of each purchasing category were cross-referenced with the corresponding expenditure amounts per category to identify the share of purchases in medium-high or high-risk categories.

*Results:* Amongst the high-risk purchasing categories, building work was found to bear the greatest risk (renovations and outfitting but also construction of new buildings), together with waste management and telephone and IT equipment. Within the scope analysed by the Sourcing Division, some 5% of the spend was on purchasing categories representing a high E&S risk and around 13% on categories representing a medium-high E&S risk.

- Following the **update of the risk evaluation tools** for all high and medium-high risk purchase categories, risk evaluation tools were developed in 2019 for medium low risk purchase categories.
- Tools (E&S risk mapping, evaluation tools) to manage E&S risks are currently being deployed in some international locations for all high-risk purchase categories. A tailored Corporate Social Responsibility clause referring to the Group's Code of Conduct and the Sustainable Sourcing Charter, as well as the requirement of non-financial evaluation for certain suppliers is used in eight

countries in the Sourcing Network.

- All new buyers of the Sourcing Division are trained in **Sustainable sourcing** and in 2019, a new training module dedicated to E&S risk management tools was designed and deployed. At the end of 2019, all buyers working in the Sourcing Division at Group level had received E&S training.

### *Regarding our products & services*

The Societe Generale Group's E&S obligations together with its voluntary commitments related to its business activities (including human rights issues) are set out in Societe Generale's Environmental and Social Guidelines for Business Engagement, signed by the Chief Executive Officer, and the sector and cross-sector policies appended to them.

Twelve policies have been developed relating to sectors which were identified as presenting specific E&S or human rights risks. These policies are public documents and set out the major E&S sector standards applied, the main risks identified in relation to harm to the environment or to human rights and the criteria for E&S and human rights due diligence to be carried out at customer or transaction level.

The due diligence processes to implement the Group's E&S commitments include:

- identification of the E&S issues associated with transactions and customers to whom the Group provides banking and financial services;
- in-depth evaluation of riskier transactions and customers by front officers and in-house expert teams, to assess the consistency with the Group's E&S policies. The E&S client analysis is risk-based, including a more in-depth and more frequent E&S analysis of priority clients;
- where relevant, action for remediation.

These E&S procedures are being gradually incorporated within both the Group's credit risk and reputational risk management policies and procedures to enhance the coverage in terms of Group activities and enhance the associated controls.

### **The main steps taken in 2019 include:**

- **An inherent sector-risk mapping** was previously conducted for major sectors to which the Group provides products and services, and which will lead to an update of its policies and internal tools (such as the E&S watchlist or Exclusion list). Work was started in 2019 to better shape the results of the risk mapping and increase their accuracy, with the aim of including the risks specific to certain activities within the sectors under review.

*Results:* Amongst the sectors analysed, a dozen had a significant part of their activities exposed to E&S and human rights risks which included: energy (fossil fuel and electricity production), transport and logistics (by air and road), agriculture (upstream), industrial, construction, chemistry, mining, forestry, textile and defence.

About one-quarter of the Group's corporate exposure<sup>5</sup> corresponds to sectors/activities exposed to high E&S and human rights risk. Taking into account the geographic dimension (quality of local E&S and human rights regulatory framework and local practices), less than 10% of the Group's exposure corresponds to high risk activities in high risk countries.

- **A review of the existing E&S and human rights policies and processes framework** was undertaken. The first analysis showed that the majority of potentially high-risk sectors were covered either by a sector policy or by the internal E&S watchlist. Moreover, the risk mapping highlighted the need to enhance the existing E&S framework with additional risks, some of which relate to human rights issues.
- Resources have been strengthened with the recruitment or appointment of E&S experts in several Business Units, including the strengthening of local teams in Africa, Eastern Europe and Russia, as well as in other Business Units, such as Equipment Finance, Global Transaction & Payment Services and Global Markets.
- In 2019, the Group continued to roll out the E&S training programme. Face-to-face training, which includes E&S assessment procedures for transactions and customers, was provided to nearly 400 employees. In addition, a micro-learning platform is now available.

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<sup>5</sup> Corporate client outstanding amounts

## IV. Effective actions taken to address modern slavery and human trafficking

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In its previous Modern Slavery Act statement, the Group committed to take the following steps:

- **Strengthening of HR policies across all locations** with a view to harmonising the framework for managing human resources in the Group, especially with respect to the disciplinary policy, misconduct at work, diversity, inclusion, and health and safety at work;  
*Achievement:* two Group policies have been publicly disclosed in 2019; one on Diversity & Inclusion, and the other on Occupational Health and Safety.
- **Formalising the global E&S and human rights risk mapping** on human resources and security, purchasing and business activities.  
*Achievement:* The risk mapping exercise was updated and formalized in 2019. With regard to residual risks, the overall internal self-assessment exercise on E&S and human rights risk was performed on each of the Human Resources, Purchasing, and Business perimeters;
- **Continuing the roll-out of controls and reinforcing existing controls on HR and safety and security risks** to ensure they are applied throughout the Group, and introduction of additional controls based on the residual risks observed in Group entities.
- *Achievement:* For example, Societe Generale reviewed its controls of all documents related to working relations with its employees (from recruitment until the employee leaves the Company). **Providing further training and raising awareness on human rights**, to strengthen the level of understanding of the risks of human rights issues, including modern slavery and human trafficking, amongst employees.  
*Achievement:* All buyers working in the Sourcing Division at a Group level have been trained on Sustainable Sourcing.
- **The annual presentation of the Duty of Care Plan to UNI Global Union members** as initially planned had to be postponed to the end of 2020.

*Additional achievements consisted of:*

- The publication in March 2019 of a **Group Statement on Human Rights**<sup>6</sup> reflecting its commitment to respect human rights within the scope of its business.
- **A strengthened governance on E&S including human rights risk management:** A Group Responsible Commitments Committee (CORESP) was created in 2019. Chaired by the Deputy Chief Executive Officer supervising the control functions, CORESP is mainly made up of the heads of the Compliance Department, the Risk Division, the Communications Department, the General Secretariat, the CSR Department and the heads of the Business Units and Services Units concerned.  
The CORESP has in particular validated the Duty of Care plan and dealt with initiatives joined by the Group such as the Principles for Responsible Banking, and the review of E&S policies.
- **A clarified normative framework:** 2019 was marked by the updating and integration of E&S, including human rights, risk management principles into the Group's new normative documentation. The concepts of E&S risks have been more formally defined as well as the roles of the different counterparts (Human resources department, Sourcing Division, CSR department, Risk and Compliance departments and front officers).

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<sup>6</sup> <https://backend.societegenerale.com/sites/default/files/sg-human-rights-statement-.pdf>

## V. Further steps

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In light of both increased regulatory focus and Societe Generale's own commitments undertaken in 2019, the Societe Generale Group intends to continue enhancing its E&S and human rights risk management and to continue to review its effectiveness.

Current plans include:

- to harmonize human resources management within the Group;
- to go one step further concerning HR controls across the Group to ensure that each entity has the means to implement effective management;
- to review the E&S controversies identification and management process;
- to review sector-specific policies to facilitate their operational implementation. These policies will also be revised in light of the results from the risk mapping performed as part of the Duty of Care implementation;
- to perform the Compliance Risk Assessment throughout the Group on E&S risk including human rights.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our modern slavery and human trafficking statement for the financial year ending December 31 2019. This statement has been approved by the Board of Directors of SG Kleinwort Hambros Bank Ltd on 16 June 2020.

On 16 June 2020

*Mouhammed Choukeir*

Mouhammed Choukeir  
SG Kleinwort Hambros Bank Ltd  
Chief Executive Officer