Kleinwort Hambros - Slavery and Human Trafficking Statement 2019

**Message from Frédéric Oudéa, Societe Generale 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 a 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 at the very core of our mission. This is why we are committed to improving our practices to protect human rights[1] 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."
1. Introduction

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 67 countries, the Group’s 149,000 employees support more than 31 million individual clients, together with large corporate and institutional investors worldwide. For the year 2018, the Group had a global net banking income (excluding revaluation of own financial liabilities) of EUR 25.2 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 17 Business Units and 10 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 integrated report.[2]

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.

Our supply chains

In 2018, 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.

2. Legal Obligations and Commitments

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 [3], Societe Generale established and implemented 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 Plan includes a mapping of risks, the measures taken for assessing and mitigating risks of serious breach or harm, and the strengthening of the Group whistleblowing framework. The annual presentation of this Plan and its effective implementation can be found in the Group’s registration document.

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 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 Equator Principles.
3. Policies and Processes in relation to slavery and human trafficking

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 sufficient 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.

Societe Generale and Kleinwort Hambros relevant policies include, but are not limited to, the following:

- The Code of Conduct (internal document) in which Kleinwort Hambros commits to respect human rights (including those relating to slavery and human trafficking) and to comply with the rules established by the International Labour Organisation (ILO) fundamental conventions. This Code applies to all Kleinwort Hambros 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;
- The Policy on Responsible Sourcing & Compliance Rules Applicable to Sourcing (appended to the renewed UNI Global agreement);
- The Environmental and Social Guidelines for Business Engagement;
- The Policy on the Fight Against Money Laundering and Terrorist Financing Within the Societe Generale Group (internal document);
- The Anti-Bribery and Corruption Policy (internal document).

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 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 new steps taken in 2018 include:

- **An inherent risk mapping exercise:**

  In 2018, the Group conducted an inherent risk mapping in the context of its Duty of Care Plan. The Group first identified the risks inherent to the banking sector, and then also the risks inherent in the various sectors of its suppliers and subcontractors, and the activities in respect of which it provides products and/or services.

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

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

  A geographic dimension (country of operation or country of supply) was also taken into account, leading in some cases to an increase in the assessment of the severity of the risk.

- **An overall risk assessment exercise: The Compliance risk assessment:**

  In addition, Societe Generale performed, for the first time in 2018, a risk assessment on E&S (including human rights) risks relating to each of (a) the Human Resources perimeter (towards our employees), (b) the Purchasing perimeter (towards our suppliers) and (c) the Business perimeter (towards our clients). This assessment was part of a global Compliance risk assessment programme of the Group.
This self-evaluation covered more than 180 entities, representing 76% of the Group's corporate exposures. It provided the Group with a broader and more granular vision of the implementation of the risk management processes at local/entity level. This has led to the identification of further actions needed to enhance procedures and the implementation of related controls.

- **A strengthened whistleblowing framework:**

The Group's whistleblowing framework has been reviewed and reinforced in 2018. It enables each member of staff (including external and temporary staff members) and service providers, with whom an established commercial relationship exists, to report or raise concerns/warnings relating to suspected unethical or corrupt behaviour.

The Group is committed to protect whistleblowers from any sanction, dismissal or discriminatory measure if the alert is made in good faith and to guarantee the confidentiality of their identity. The provisions of this framework are detailed in a Group policy that has been released consequently.

The implementation of this framework was addressed with representative trade unions organisations in France and in Europe in the second half of 2018. This framework is a key element of Societe Generale Code of Conduct, which has been communicated to all Group employees and translated into 24 languages.

**Towards our employees**

The worldwide agreement on fundamental human rights and trade union rights which Societe Generale signed with UNI Global Union in 2015, has been reinforced and renewed in February 2019 for a further three years.

This agreement applies to all of the Group’s 149,000 employees throughout its 67 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:

- regular monitoring conducted by UNI Global Union: which includes continuous feedback on the social environment in local entities worldwide, alerts on human right breaches and annual meetings with Societe Generale’s Human Resources management division;

- a whistleblowing framework which enables employees to report complaints relating to fundamental human rights and trade union rights;

- the introduction of the principle of a duty of care with a plan to identify, prevent and mitigate human rights violations within the Group (new agreement).

**Human Resources ("HR") governance within the Group which is 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 (for example, through the verification of controls carried out).

**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 2018 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.

*Results:* 0.2% of the Group’s employees are in a country considered as high-risk from a human rights perspective (including but not limited to modern slavery) according to the external databases used, while 35% are in medium-high risk countries.

- **The Compliance risk assessment** of the Group on risks related to human rights, safety and security, which will be used to standardise human resources practices worldwide relating to contract formalisation, working conditions, discrimination…etc. The questions included the implementation of Group and local policies, as well as the controls performed to this regard.

*Results:* The self-assessment exercise covered entities representing 89% of the Group’s workforce. Entities that did not participate in the exercise this year have, for the most part, been covered by other appraisal exercises integrating social and human resources risks. The analysis of the risk management systems of the Group’s entities showed that:

- entities in high or medium-high-risk countries that need to strengthen the formalisation and/or coverage of their policies or processes employ less than 4% of the Group’s workforce;
- entities in high or medium-high-risk countries that need to strengthen their controls on HR and security processes employ less than 10% of the Group’s workforce.

Towards our suppliers

As outlined in our Group Code of Conduct, Societe Generale expects its suppliers and service providers to adhere to principles equivalent to those in such Code of Conduct, including respect for human rights and compliance with all applicable laws.

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 include:

- **Identification of potential risk areas based on:**
  - the consultation of the map of the E&S risks of the products and services developed in 2018;
  - a Know Your Supplier (KYS) analysis - this KYS process is based on both Societe Generale’s own as well as 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 suppliers’ ratings, in each case depending on the products or services purchased;
  - the review of suppliers’ extra-financial evaluation (targeted suppliers only).

- progressive introduction of mandatory environmental and social obligations in our supplier contracts.

- **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 2018 include:

- A review of the inherent risk mapping performed in 2018 including the identification of the major human rights risks inherent to each purchasing categories. The new map of the E&S risks of the products and services was developed in 2018 in cooperation with 3 other French banks.

Results:

On the perimeter covered by the Purchasing Department, 5% of the expenses relate to high E&S (including human rights) risk categories and 12% to medium-high-risk categories. The category identified as bearing the highest inherent risks was refurbishment (works on buildings, construction…).

- An update of the risk evaluation tools for all high and medium-high risk purchase categories was undertaken to integrate the risk mapping results.

- Through the Compliance risk assessment, the Group evaluated the implementation of the Responsible Purchasing framework. This enabled the Group to enhance the knowledge regarding this framework and its implementation beyond the Purchasing division’s scope of intervention.

- All new members of the Sourcing Division receive training in relation to E&S issues in the Group’s supply chains. At the end of 2018, all buyers working in the Sourcing Department at a Group level had received E&S training.

- An improvement in the terms of payment of supplier’s invoice, which is one element of the fair treatment of suppliers. At the end of 2018, thanks to the digital invoicing portal, the average terms of payment were around 40 days (weighted by the amount of the invoice).

Kleinwort Hambros internal sourcing processes include:

- The identification and assessment of potential risk areas in our supply chains using our map of the environmental and social risks of the products and services.

- The monitoring of potential risk areas in our supply chain using:
  - the Know Your Supplier (KYS) process;
  - the Kleinwort Hambros due diligence questionnaire to identify new supplier’s risks;
  - progressive introduction of mandatory environmental and social criteria in our Request for proposal;
  - progressive introduction of mandatory environmental and social obligations in our supplier contracts; and
  - extra-financial evaluation of suppliers;

The mitigation of the risk of human rights violations occurring in our supply chains: the bank commits to take steps to rectify any situation where it has identified or been made aware of the fact that it has been or could be associated with human rights violations.

Towards our clients

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 Environmental and Social Guidelines for Business Engagement, signed by the Chief Executive Officer of the SG Group, 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 tasks. These policies are public documents and set out the major E&S sector standards applied, the man 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 environment and safety commitments include:
• identification of the E&S issues associated with transactions and customers to whom the bank provides banking and financial services;
• in depth evaluation of riskier transactions and customers by front officers and in-house expert teams to assess 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; and
• where relevant, action for remediation.

These E&S procedures are being gradually incorporated within both our credit risk and reputational risk management policies and procedures to enhance broad coverage of the Group’s activities and the associated control.

The main steps taken in 2018 include:

• An inherent sector-risk mapping for major sectors to which the Group provides products and services, which will lead to an update of its policies and internal tools (such as the E&S watchlist or Exclusion list).

Results: Amongst the sectors analysed, a dozen had a significant part of 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 [4] 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 initiated. 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. However, some sectors or activities will need to be added to the list of activities requiring an in-depth E&S and human rights analysis. 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.

• Through the Compliance Risk Assessment, the Group assessed the level of implementation of the procedures and controls relate to E&S and human rights risk management at local/entity level. The assessment covered the following topics:
  - knowledge of the E&S risk management framework (E&S policies, watchlist and exclusion list);
  - the integration of the E&S analysis within the Know Your Customer (“KYC”) process at onboarding and during periodic reviews;
  - the implementation of Group procedures and associated controls;
  - means and expertise dedicated to the management of E&S and human rights issues.

Result: Amongst the assessed entities, about three-quarters declared that they have implemented controls relating to E&S aspects through the KYC or controls relating to the application of the E&S watch list and E&S exclusion list.

4. Effective actions taken to address modern slavery and human trafficking

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

• Publishing a Group Human Rights statement.
  Achievement: The Group’s statement has been published[1].

• 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 performed and formalised in 2018. With regard to residual risks, the Compliance risk assessment exercise on E&S and human rights risk was performed on each of the Human Resources, Purchasing and Business perimeters.

- **Reviewing the Group’s existing E&S risk management procedures** based on the risk mapping results, especially from a human rights perspective, and **pursuing the implementation of the existing E&S and human rights risk management framework worldwide**.

Achievement: This review was performed on the Purchasing perimeter with the update of all risk analysis tools for high and medium-high risk purchasing categories. It has also been initiated on each of the Human Resources and the Business perimeters and will continue to be pursued in the future. In addition, in consequence of the performance of the Compliance risk assessment exercise, the Group has a sharper vision of the framework implementation. Specific action plans will continue to be set and implemented according to the identified remaining risk areas.

- **Provision of 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 Department at a Group level have been trained on Responsible Sourcing;
- In 2017 and 2018, mandatory workshops and training on the Code of Conduct were conducted, in which 89% of the eligible workforce participated.

Additional achievements consisted of:

- The renewal of the Worldwide Agreement on fundamental human rights and trade union rights which Societe Generale signed with UNI Global Union in February 2019.
- The update of the risk evaluation tools for all high and medium-high risk purchase categories and the improvement of the terms of payment of suppliers’ invoices.

5. Further steps

In light of both increased regulatory focus and Societe Generale’s own commitments undertaken in 2018, 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:

- pursuing the review and the implementation of the existing E&S risk management procedures and processes based on the risk mapping results, especially from a human rights perspective. In particular, the Group’s global policies on inappropriate behaviour and on disciplinary measures will be updated and with such updates coming into effect in 2019. In addition, the Group’s Policy on Responsible Sourcing & Compliance Rules Applicable to Sourcing will be reviewed in 2019;

- providing further training and raising awareness of human rights, in order to strengthen the level of understanding of the risks of human rights issues, including modern slavery and human trafficking, amongst our employees. Specific training on E&S and human rights risk management in product and services offering, amongst a targeted population are expected;

- following-up the new agreement with UNI Global Union, including the presentation of the Duty of Care Plan to UNI Global Union members.

In 2019, Kleinwort Hambros will continue to implement its Social and Environmental strategy among its suppliers as well
as incorporate SG policy changes where required.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31 December 2018.

On 27 June 2019

John Maitland
Kleinwort Hambros
Chief Executive Officer

[1] 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.


Kleinwort Hambros has a wealth of experience in helping individuals, families, entrepreneurs, charities and their advisers to manage their financial assets, whether they are based in the UK or overseas. At Kleinwort Hambros we know how to simplify life’s financial challenges. We also understand the importance of creating a strong relationship with our clients. Driven by shared values of team spirit, commitment, responsibility and innovation, all our teams are focused on delivering a truly personal service. All our staff, regardless of their role, helps create better, deeper, more personal relationships with our clients, while offering them a greater level of service and opportunity.

We offer a wide range of services through an holistic approach based on trust, service and expert knowledge. Every client is unique. We carefully select the right team to work closely with them to help achieve their goals now and for years to come. Kleinwort Hambros enjoys the benefits of being part of Societe Generale with valuable access to the resources and services of one of the world’s leading financial groups.

If you think you have been a victim of fraud please contact your national crime agency. In the UK this is Action Fraud and they can be contacted on 0300 123 2040 or contact them online.

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