

HSBC LIFE (SINGAPORE) PTE. LTD.
("Company")
Registration Number: 199903512M

Corporate Governance Report 2023

Date: 9 May 2024

CORPORATE GOVERNANCE REPORT

INTRODUCTION

HSBC Life (Singapore) Pte. Ltd. (the “**Company**”) was incorporated in Singapore on 23 June 1999 and is an indirect wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited (“**HBAP**”) held through HSBC Insurance (Asia-Pacific) Holdings Limited (“**INAH**”), with HSBC Holdings plc (“**HSBC Plc** or **HSBC** or **HSBC Group**”) as the ultimate parent. It is licensed by the Monetary Authority of Singapore (“**MAS**”) as an insurer to engage insurance business in Singapore.

The Company is guided in its practices by all applicable corporate governance regulations and guidelines that authorities may issue from time to time, as well as internal best practices to the fullest extent possible. This corporate governance report sets out the corporate governance practices for financial year ended 31 December 2023 (“**FY2023**”), which conformed with the Insurance (Corporate Governance) Regulations 2013 (collectively, the “**CG Regulations**”), as well as the MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore issued on 9 November 2021 (“**CG Guidelines**”).

BOARD MATTERS (Principles 1 to 5, CG Guidelines)

The Board currently comprises five members as follows:

<p style="text-align: center;">Board Chairman Alistair John Chamberlain (Non-Executive Director) Appointed on 11 February 2022 Re-appointed on 26 June 2023</p> <p>As a Board Chairman, Mr Chamberlain is responsible for providing leadership to the Board. From 1 January 2024, he is the Senior Adviser to the Interim Chief Financial Officer (“CFO”) of Global Insurance of HSBC Group, overseeing the insurance business, including actuarial management, capital management and investment performance.</p> <p><u>Non-listed companies and other appointments</u></p> <ul style="list-style-type: none"> • HSBC INSN (Non Operating) Pte. Ltd. (In Members’ Voluntary Liquidation): Board Chairman, Non-Independent Non-Executive Director • HSBC Financial Advisors Singapore Pte. Ltd.: Non-Executive Director • HSBC Insurance (Asia-Pacific) Holdings Limited: Non-Executive Director • HSBC Insurance Holdings Limited (In Liquidation): Executive Director • HSBC Life (UK) Limited: Non-Executive Director • Senior Advisor to the Interim CFO for Global Insurance <p><u>Academic and professional qualifications</u></p> <ul style="list-style-type: none"> • Master of Arts (Honours) in Economic, University of Edinburgh • Fellow, Actuarial Societies in the United Kingdom, Singapore and Hong Kong 	<p style="text-align: center;">Lead Independent Non-Executive Director Yap Chee Meng (Risk Committee and Audit Committee member) Appointed 1 September 2016 Re-appointed on 26 June 2023</p> <p>Mr Yap was appointed as Independent Non-Executive Director, Chairman and Audit Committee member on 1 September 2016. He stepped down as the Chairman and became the Lead Independent Non-Executive Director on 11 February 2022.</p> <p>Mr Yap was the KPMG International Chief Operating Officer (“COO”) for Asia Pacific Region. Before that, he was a senior partner at KPMG Singapore.</p> <p><u>Listed company and other appointment</u></p> <ul style="list-style-type: none"> • ARA Trust Management (Suntec) Limited – Suntec REIT: Audit Committee Chairman, Lead Independent Non-Executive Director • Charity Council of Singapore: Council Member <p><u>Academic and professional qualifications</u></p> <ul style="list-style-type: none"> • Foundation Certificate in Accountancy: University of Sunderland, UK • Fellow, Institute of Singapore Chartered Accountants • Fellow, Institute of Chartered Accountants in England and Wales 	<p style="text-align: center;">Executive Director & Chief Executive Officer Harpreet Singh Bindra (Executive Director) Appointed on 20 September 2023</p> <p>As a Chief Executive Officer (“CEO”), Mr Bindra leads the management team and implements the decisions of the Board and Board Committees. He is responsible for the Company’s day-to-day operations and business, including ensuring the continued adequacy and effectiveness of the system of internal controls and risk management.</p> <p>Mr Bindra joined HSBC in 2018. Before becoming the CEO of the Company, Mr Bindra was the Managing Director of Global Head of Strategy and Business Development, HSBC Global Insurance and Partnerships, responsible for executing the strategic growth agenda for HSBC’s global insurance businesses in 10 markets across Asia, Europe and Latin America.</p> <p><u>Non-listed companies</u></p> <ul style="list-style-type: none"> • HSBC INSN (Non Operating) Pte. Ltd. (In Members’ Voluntary Liquidation): Executive Director <p><u>Academic and Professional Qualifications</u></p> <ul style="list-style-type: none"> • Master in Business Administration • Bachelors Degree in Business Economics (Honours)
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<p style="text-align: center;">Independent Non-Executive Director</p> <p style="text-align: center;">Babak Nikzad Abbasabadi (Audit Committee Chairman and Risk Committee Chairman) Appointed on 11 February 2022 Re-appointed on 26 June 2023</p> <p>Mr Nikzad Abbasabadi was with the KPMG Group from September 1987 to March 2017 when he retired as the KPMG Hong Kong/China Partner.</p> <p><u>Non-listed companies</u></p> <ul style="list-style-type: none"> • HSBC Insurance (Asia) Limited: Independent Non-Executive Director, Audit Committee chair and Risk Committee member • HSBC Life (International) Limited: Independent Non-Executive Director and With-Profits Committee member <p><u>Academic and professional qualifications</u></p> <ul style="list-style-type: none"> • Bachelor of Science (Mechanical Engineering), King's College, University of London, UK • Master of Science (Mechanical Engineering), Imperial College, University of London, UK • CPA, Hong Kong Institute of Certified Public Accounts • ACA, Institute of Chartered Accounts in England and Wales 	<p style="text-align: center;">Independent Non-Executive Director</p> <p style="text-align: center;">Prof Chia Kee Seng (Audit Committee member and Risk Committee member) Appointed on 1 April 2023 Re-appointed on 26 June 2023</p> <p>Prof Chia is a professor at Saw Swee Hock School of Public Health, National University of Singapore (“NUS”). He was the founding dean of the Saw Swee Hock School of Public Health between October 2011 and December 2017, and held various roles with NUS including Head of Department of Epidemiology and Public Health and Associate Professor of Department of Community, Occupational and Family Medicine. He also serves on the boards of several health institutions in Singapore and overseas.</p> <p><u>Non-listed companies and other principal commitments</u></p> <ul style="list-style-type: none"> • Tri Sector Associates Ltd.: Director • Professor, Saw Swee Hock School of Public Health, NUS • Academy of Medicine – Ministry of Health Screening Tests Review Committee: Chairman • Tripartite Oversight Committee on Workplace Health Promotion, Ministry of Health: Member • Board Working Group on Precision Public Health: Chairman • Scientific Research Advisory Board of the National Centre for Infectious Disease: Chairman • Asia Cohort Consortium Executive Committee: Member • WHO Global Coordination Mechanism NCD Working Group on Health Literacy: Member <p><u>Academic and professional qualifications</u></p> <ul style="list-style-type: none"> • Fellow, Academy of Medicine, Singapore • Doctorate of Medicine (MD), NUS • Master of Science in Occupational Medicine (M.Sc. (O.M.)), NUS • Bachelor of Medicine & Bachelor of Surgery (M.B.B.S.), NUS
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The Board and its Duties

The Board is collectively responsible for the long-term success of the Company and the delivery of sustainable value to shareholders and other stakeholders. Its primary function is to provide entrepreneurial leadership and direction within a framework of prudent and effective controls enabling risk assessment and management. Its key responsibilities include approving the overall strategy, risk appetite, capital and operating plans to achieve the strategic objectives it has set.

The Board also provides stewardship of the HSBC culture, conduct and behavioral standards that promote prudent risk-taking and fair treatment of customers. It oversees Management's formulation of policies and processes to promote fair practices and high standards of business conduct.

In discharging its responsibilities, the Board takes into account the Company's constitution ("**Constitution**"), the relevant and applicable regulatory requirements and guidelines, as revised from time to time, to safeguard the customers' interests.

The Board's Terms of Reference ("**TOR**") set out its role and responsibilities as well as matters reserved for its oversight and/or approval. These include strategic plans, operating plans, risk appetite, performance targets, appointment or termination of any director and any member of Management.

The Board ensures that corporate governance frameworks and systems are in place across the Company and that they remain relevant and effective.

The Board in its regular scheduled meetings monitors the performance of the business and Management to ensure proper accountability as well as ensures that the necessary resources are in place to manage both financial and non-financial risks faced by the Company. All directors are required to act objectively in discharging their duties, and in the interests of the Company.

Pursuant to Section 156 of the Companies Act 1967 (the "**Act**"), the Constitution and the HSBC Conflict of Interest Policy, where a director has a personal interest in a matter that may conflict with the director's duties to the Company, the director is required to disclose the conflict, recuse himself from the discussion of the matter and abstain from voting on the matter.

Directors' Induction and Continuous Development

Upon appointment, new directors are given a comprehensive and tailored induction, which includes materials on a director's duties and obligations, the TOR of the Board and Board Committees, and relevant HSBC Group policies. As part of the induction, new directors meet with key senior executives and receive briefings on the Company's business, operations, regulatory changes on industry specific issues, risk management, and governance practices.

All directors are given appropriate training on a continuing basis. Directors attend internal and external conferences, as well as briefings given by in-house subject-matter experts and, where possible, external programmes run by professional bodies. In addition, executive directors have access to training programmes for employees. Directors may also request training on specific topics of interest.

Training topics covered in 2023 included global insurance strategy and product strategy, market conduct and distribution risk, mobile wealth advisors model, culture and workforce, and cyber security and technology risk.

Annually, the directors are given updates on key HSBC Group policies. At quarterly Board and Board Committee meetings, directors are briefed on matters relating to business and financial performance, risk management and relevant regulatory updates.

The Board evaluates the effectiveness of the training programmes to ensure that the Company is equipping directors with the appropriate knowledge to enable them to fully discharge their responsibilities.

Board Delegation

The Board has delegated certain duties to two Board Committees while retaining overall oversight. The committees are the Audit Committee and the Risk Committee. These Board Committees have been constituted in accordance with the CG Regulations. Each Board Committee has written TOR which sets out the committee's responsibilities. The TOR of the committees and the effectiveness of the committees are reviewed annually. Any change to the TOR is subject to the Board's approval. Each committee provides a report of its activities and the minutes of its meeting to the Board at least quarterly.

Further information of the Audit Committee and the Risk Committee are set out in pages 12 to 15, respectively.

As allowed under the CG Regulations, the Board performs the functions of the Nominating Committee and the Remuneration Committee. The Board has not established a Board Executive Committee.

The Board delegates day-to-day management of the business and implementation of strategy to the CEO. The CEO is supported by the Company's Executive Committee comprising of the Senior Management team of the Company.

Meeting Attendance

The Board has six scheduled meetings, and each of the Board Committees have four scheduled meetings, annually. Additional meetings are convened when required. The Constitution provides for a director to participate in a meeting via telephonic or video conference where exigencies prevent the director from attending the meeting in person.

The table below sets out the number of meetings of the Board and Board Committees held in FY2023, and the attendance of directors at the meetings.

Meetings	Board	Audit Committee	Risk Committee
Number of Meetings	10	5	5
Alistair John Chamberlain (" Mr Chamberlain ")	10	-	-
Ho Lee Yen (" Ms Ho ") ⁽¹⁾	7	-	-
Harpreet Singh Bindra (" Mr Bindra ") ⁽¹⁾	2	-	-
Yap Chee Meng (" Mr Yap ")	10	5	5
Babak Nikzad Abbasabadi (" Mr Nikzad Abbasabadi ") ^(2 & 4)	10	5	5
Professor Chia Kee Seng (" Prof Chia ") ^(3 & 4)	5	2	4
Kathleen Gan Chieh Huey (" Ms Gan ") ⁽⁴⁾	5	3	2
Wong Kee Joo (" Mr Wong ") ⁽⁵⁾	4	-	-

Notes:

- ⁽¹⁾ Ms Ho resigned as Executive Director and CEO on 20 September 2023, and Mr Bindra was appointed as Executive Director and CEO on the same date.
- ⁽²⁾ Mr Nikzad Abbasabadi was appointed as an Audit Committee Chairman and a Risk Committee member on 11 February 2022.
- ⁽³⁾ Prof Chia was appointed to the Board and as a Risk Committee member on 1 April 2023.
- ⁽⁴⁾ Ms Gan stepped down from the Board, the Audit Committee and the Risk Committee on 1 June 2023. Mr Nikzad Abbasabadi and Prof Chia were appointed as the Risk Committee Chairman and the Audit Committee member, respectively, on the same day.
- ⁽⁵⁾ Mr Wong retired at the Company's Annual General Meeting ("**AGM**") on 26 June 2023.

Board's Access to Information

Directors have separate and independent access to Management. Directors are provided with comprehensive information related to the agenda items in a timely manner. Management has an obligation to supply the Board with complete, adequate information in a timely manner. Information provided includes board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of budgets, forecasts and internal financial statements, with material variances

between projections and actuals. Information provided and discussed on an ongoing basis at board meetings includes financial, business, risk, operations, human resources and regulatory updates.

Directors are also equipped with secure access to electronic Board and Board Committee meeting materials. Any additional material or information requested by the Board is furnished promptly by Management and/or the Company Secretary. Copies of minutes of all Board and Board Committee meetings are distributed to directors with the papers at every scheduled Board meeting. These are also available to directors at all times via the Company Secretary. All deliberations and decisions of the Board and Board Committees including any concerns raised by the directors are minuted and the records of all meetings are maintained by the Company Secretary.

Company Secretary

Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and prepares minutes of the Board and Board Committees' proceedings. They assist the Chair to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chair, they assist with the information flow between the Board, Management and the parent company. They are responsible for the preparation of the Corporate Governance Report, and for facilitating the orientation of new Directors and their professional development as required. The Board's approval is required for the appointment and termination of the Company Secretary.

The Board adopts, assesses and reviews the HSBC Group's Subsidiary Accountability Framework, which is the HSBC Group's Corporate Governance framework applicable to all Group subsidiaries.

Culture and Conduct and Code of Ethics

As part of the HSBC Group, the Company has adopted the HSBC values, which are aimed at promoting and maintaining high levels of professional conduct in the business. These values emphasise, *among others*, integrity, honesty and proper conduct at all times, both with respect to internal dealings and external transactions. All employees of the Company are required to undergo training on the HSBC values and such values are inculcated throughout the Company through the performance management system, where employees are assessed not only on what they have done, but whether their behaviors are aligned to the HSBC values.

The Company has established guidelines for assessing and handling customer complaints and properly documenting the assessment outcome for each complaint. Management reviews regular reports on customer complaints and highlights material complaints to the Board.

The Board and Senior Management observe the MAS Guidelines on Individual Accountability and Conduct and implement the relevant requirements.

Board Composition

Annually, the Board assesses its size and composition and each director's independence.

The Board has assessed that each director remains fit and proper and qualified for the position of Director and contributes to the collective skills, experience and knowledge of the Board. Collectively, the directors have in depth experience in banking, insurance, finance and management, the core competencies that are relevant to the Company's business and contribute to the effective oversight of the Company's affairs. Having considered the Company's scope and nature of business and operations, the Board considers a board size of up to seven members as the appropriate number to oversee the Company's affairs and allow for progressive renewal of the Board. The Board will continue to assess the board size and the skills and expertise required to provide effective stewardship of the Company.

In assessing each director's independence, the Board considers each director's profile, tenure on the Board as well as his responses in questionnaires. The questionnaires are designed for assessing a director's independence based on the criteria in the CG Regulations and CG Guidelines and whether he/she is fit and proper for office based on the MAS Guidelines on Fit and Proper Criteria.

Notwithstanding that the Chairman is non-independent, to ensure that there is a strong element of independence, a lead independent non-executive Director has been appointed. In addition, the Company is in the process of appointing additional independent non-executive director so that independent directors will continue to form a majority of the Board. The lead independent director leads the independent directors

during Board meetings to raise relevant queries and ensure that there is a check and balance between the Board and Management. He also provides feedback on the performance of the Chairman and Management from time to time.

The role of the independent non-executive Director is to support the development of strategy, oversee risk, hold Management to account and ensure that the Executive Director is discharging his/her responsibilities properly, while creating the right culture to encourage constructive challenge.

Each director's tenure on the Board is less than nine years. Page 8 sets out the Board's assessment of the directors' independence.

The Chairman and the Chief Executive Officer

The roles of the Chairman and the CEO are separate and are each held by unrelated individuals.

Mr Chamberlain is the appointed Board Chairman and his responsibilities include providing leadership to the Board, setting the agenda for Board meetings, ensuring that directors receive timely and comprehensive information for informed deliberations, and promoting high standards of corporate governance. The Chairman promotes open and frank debates by all directors at every Board meeting.

The Lead Independent Director

The CG Guidelines have recommended the appointment of a lead independent director where the Chair is not an independent Director. The Board has appointed Mr Yap as the lead independent director.

The Board's TOR sets out the roles and responsibilities of the Chairman, the CEO and the lead independent director.

Selection and Nomination of Directors

As permitted under the CG Regulations, the Board performs the functions of the Nominating Committee, whose main responsibilities include:

- (i) identifying and evaluating candidates for the Board and Board Committees;
- (ii) assessing the independence of directors;
- (iii) reviewing the size and composition of the Board and Board Committees;
- (iv) evaluating the performance of the Board, Board Committees and each director; and
- (v) reviewing the nominations, appointments and reasons for the resignation of directors and Management such as the CEO, CFO, Chief Risk Officer ("**CRO**"), COO, Appointed Actuary, Certifying Actuary, Head of Human Resources and the Head of Compliance.

The criteria applied by the Board in identifying and evaluating candidates include (i) compliance with the CG Regulations requirements on independence and composition for Board and Board Committees; (ii) whether the candidate is a fit and proper person for the office and is qualified for office, taking into account *inter alia*, the candidate's experience, capabilities and skills; (iii) whether the candidate has the appropriate knowledge and skillset that the Board and Board Committee require to discharge their responsibilities effectively; and (iv) whether the candidate is able to allocate sufficient time to discharge his/her responsibilities effectively.

In recommending the appointment of Executive and Non-Executive directors to the Board, the Board seeks to ensure that these directors fulfill their criteria and skillsets which are aligned with the strategic direction and emerging challenges faced by the Company.

As part of the fit and proper assessment, the Company conducts vetting checks which include credit bureau, litigation and blacklist searches. Relevant internal and regulatory approvals, where required, will also be obtained.

The Board in considering whether the candidate would be able to allocate sufficient time has set a limit on listed companies' directorships. Generally, a director who has full-time employment in any organisation shall have appointments in no more than three listed companies, while directors who do not have any full-time employment shall have appointments in no more than six listed companies.

Independence of Directors

The independence of a director is determined based on the criteria set out in the CG Regulations and the CG Guidelines. The CG Regulations provide that a director is considered independent if he is independent from management and business relationships and the substantial shareholder and if he has not served on the Board for a continuous period of nine years or more.

In addition, each of the directors are subject to re-election at the AGM. In considering their re-appointments, the Board conducts an annual review to assess (i) the independence status of each director, (ii) whether each Director remains a fit and proper person and qualified for office, (iii) each director's attendance, time commitment and contribution, and (iv) the composition of the Board against the agreed skillset matrix.

The Board made the following independence assessments in May 2024:

- a. Mr Chamberlain and Mr Bindra are non-independent from management and business relationships and non-independent from the substantial shareholders, namely (i) HSBC Plc; (ii) HSBC Asia Holdings Limited, (iii) HBAP; and (iv) INAH (collectively the **"Substantial Shareholders"**); and
- b. Mr Nikzad Abbasabadi, Mr Yap and Prof Chia are independent from management and business relationships and the Substantial Shareholders.

With three independent directors, namely Mr Yap, Mr Nikzad Abbasabadi and Prof Chia, the Company is in compliance with the CG Regulations which requires that where a substantial shareholder holds 50% or more of the share capital of the voting power in an insurer incorporated in Singapore, at least one-third of directors must be independent, and CG Guidelines which requires that independent directors shall make up a majority of the Board where the Chairman is not independent.

Mr Chamberlain, plans to retire at the upcoming AGM in 2024 to be succeeded by another candidate.

Key Appointment Holders

The following changes to the Board took place in 2023:

No.	Name	Date of Changes
1	Prof Chia	Appointed on 1 April 2023
2	Ms Gan	Resigned on 1 June 2023
3	Mr Wong	Retired on 26 June 2023
4	Ms Ho	Resigned on 20 September 2023
5	Mr Bindra	Appointed on 20 September 2023

The following executive position changes took place in 2023:

- Appointment and Resignation of CFO
- Appointment and Resignation of Appointed Actuary

Board Performance

The Board performs an annual assessment of its own effectiveness as a whole and that of its committees. Each director participates and evaluates the performance of the Board and each Board Committee separately based on a set of performance criteria adopted from HSBC Group which evaluates how well the directors have fully discharged their responsibilities pursuant to internal and local regulatory requirements. Policies exist whereby if the Board is deliberating upon any matter that involves a member, including their performance, that member would not participate in the discussion and/or recuse themselves from the discussion to avoid conflicts of interest. The results of these collective assessments are reviewed and discussed at the Board. The assessment results are used constructively to discuss improvement opportunities for the Board and Board Committees.

REMUNERATION MATTERS (Principles 6 to 8, CG Guidelines)

As allowed under CG Regulations, the Board performs the role of a Remuneration Committee, which key responsibilities include the review of (i) the remuneration framework of non-executive directors and key management personnel, and (ii) the remuneration packages for key management personnel.

Remuneration of Employees

The Company's performance and pay framework is underpinned by the Group's Remuneration Strategy and principles. Group refreshed the reward strategy and wider employee proposition centred on our purpose and values. The refreshed principles and supporting commitments articulate the experience for employees and provide a clear framework to create a dynamic culture where the best talent is motivated to deliver high performance. These principles are:

- **We will reward you responsibly** through fixed pay security and protection through core benefits, a competitive total compensation opportunity, and pay equity with a more inclusive and sustainable benefits proposition over time.
- **We will recognise your success** through our performance culture and routines, including feedback and recognition, pay for performance, and all employee share ownership opportunities.
- **We will support you to grow** through our proposition beyond pay, with a focus on future skills and development, your mental, physical, social and financial well-being, and flexibility in working practices.

The aim is to use the framework to deliver an exceptional colleague experience – strengthening the Company's ability to attract, retain and motivate the people it needs in competitive labour markets, in the context of evolving employee expectations.

During 2023, the Company has undertaken significant design work to review its performance approach and pay structures to simplify, improve transparency, and foster an environment focused on growth, learning and motivating colleagues to perform at their best. This will be implemented from 2024.

In addition to performance and pay, work is underway to drive improvements to the Company's proposition beyond pay, aligned to the principles of its reward strategy, building on its strong benefits and well-being programme, including flexible working, and more inclusive and sustainable benefits.

More details of the Company's remuneration strategy are contained within the Annual Report and Accounts 2023 of HSBC Plc.

Country senior management is responsible for the execution of the policy and ensuring the Group principles are followed and the effectiveness of the decision making is reviewed through various forums in country and through business lines including the senior management review during annual pay and performance process to ensure that there is consistency and equitable approach being applied. This is to ensure that remuneration policies do not create incentives for excessive risk taking and aggregated recommendations for all employees. The relevant information pertaining to the Company will be presented to the Board for review annually.

The Board fulfils the responsibilities of a Remuneration Committee outlined in CG Regulations and CG Guidelines. The remuneration framework and processes of the Company are subject to the single HSBC Group-wide framework and policy on remuneration is in line with the principles and best practices promulgated under CG Regulations and CG Guidelines.

HBAP as an authorised Institution under the Banking Ordinance is required by the Hong Kong Monetary Authority's Supervisory Policy Manual CG-5 "Guideline on a Sound Remuneration System" ("**Guideline**") to assess whether their existing remuneration systems and policy are in line with the principles in the Guideline, independently of management and at least annually. For the review completed in April 2023, Deloitte LLP confirmed that the HBAP's remuneration strategy as adopted from the Group is consistent with the principles set out in the guidelines. Deloitte has been commissioned to undertake the review for 2023/2024.

Level and Mix of Remuneration

The Company is an indirect wholly-owned subsidiary of HSBC Plc. HSBC Plc is governed by the regulations of the UK's Prudential Regulatory Authority ("**PRA**") and Financial Conduct Authority ("**FCA**"). The Group and its subsidiaries globally operate within the parameters at the highest standards. The regions and countries fully adopt the principles and frameworks established by Group which are based on the PRA and FCA remuneration rules.

The Company's remuneration policy is aligned to the HSBC Group's remuneration policy – HSBC Remuneration Practices and Governance – which promote sound and effective risk management and support our business objectives. It sets out the details relating to the Group's reward strategy and framework,

which is reviewed and approved on an annual basis under the Group's governance committee's including Remuneration Committee of HSBC Plc and its board and ultimately by its shareholders. This policy is consistently adopted by all HSBC companies in Singapore.

The HSBC Group including the shareholder has full knowledge of the remuneration of executive and non-executive directors and the top five key executives employed by HSBC Group.

In addition, HBAP, is part of a wider international group, HSBC Plc established a local Remuneration Committee ("**RemCo**") in January 2018. The HBAP RemCo oversees the implementation and operation of the Group remuneration policy and framework, as approved by the HSBC Group RemCo and ensures their compliance with local regulations. In addition, as set out in the HBAP Board's TOR, the Board is responsible for overseeing the remuneration policy.

In line with HSBC Group Policy, for remuneration, the Company focuses on both external benchmarking and internal equity.

For external benchmarking - Market benchmarks are sourced through and provide an indication of the range of pay levels and employee benefits provided by its competitors. In addition, when making pay decisions, the Company takes into account the individual's and the Group's performance in any given year. An individual's pay will vary depending upon their performance. Remuneration includes fixed pay, variable pay, retirement plan, benefits in accordance with local market practice/prevalence, as well as long-term incentives.

Total reward, consisting of fixed pay, variable pay, retirement plan and benefits, is the key focus of the Company's remuneration framework. Total compensation comprising of fixed pay and variable pay (namely annual incentive and long-term incentives) which is differentiated by performance and adherence to HSBC values.

Where employees are eligible to be considered for a discretionary variable pay award, the amount will be determined based on overall group affordability, any adjustment relating to recognition and conduct, individual performance and adherence to HSBC values.

The Company adopts a minimal share deferral policy on variable pay (starts from 10%) to which Malus applies. This is in addition to the Group's Material Risk Taker ("**MRT**") Policy which include a higher variable pay deferral (40% or 60%). For MRTs, their variable pay awards will be limited to 200% of fixed pay. All Group MRT awards are subject to Malus & Clawback. A local Material Risk Personnel ("**MRP**") policy had also been implemented for senior managers and MRP to comply with the MAS Guidelines on Individual Accountability & Conduct.

In principle, generally a higher proportion of the total compensation for senior managers is delivered in variable pay and will be more closely aligned to HSBC Group and business performance as seniority increases. All awards are subject to Malus and awards granted to employees identified as MRTs are subject to Clawback.

As set out within the HSBC remuneration policy, guaranteed minimum bonuses are only paid in exceptional circumstances for new hires and is limited to the individual's first year of employment only. The exceptional circumstances where HSBC would offer a guaranteed variable remuneration would involve a critical new hire and would also depend on factors such as the seniority of the individual, whether the new hire candidate has any competing offers and the timing of the hire during the performance year.

As set out in the HSBC Remuneration Policy and Reward Strategy, the remuneration decisions are made based on a combination of business results, performance against objectives set out in performance scorecards, general individual performance of the role and adherence to the HSBC values, business principles, Group Policies and procedures and Global Standards. The variable pay pool also takes into consideration the performance against metrics in the Group Risk Appetite Statement and conduct framework.

Variable pay is awarded to the employees on a discretionary basis and dependent upon Group, business and individual performance, which are based on both financial and non-financial factors consistent with the medium to long-term strategy, stakeholder interests and adherence to HSBC values. Assessment of performance is based on clear and relevant financial and non-financial objectives set within a performance scorecard framework.

Non-financial factors are also considered throughout the performance management process including objective setting, Everyday Performance & Development (“**EPD**”) process, and year-end assessment and review.

In addition, individual behaviours such as non-compliance with dealing codes, personal misconduct, and individual involvement (either directly or indirectly) in notable and reportable incidents identified during the year are factors that are taken into consideration in determining adjustments to variable pay. For material events, such adjustments can be made at Group or business unit level. As further underlined in the HSBC Employee Recognition and Conduct Framework, the situations leading to negative variable pay adjustment include:

- Failing to complete Global Mandatory Training Trimester 2 module (“**GMT**”) by the due date: a 10% conduct adjustment will be applied and automatically transferred into the pay review system as it has a medium severity; and
- All types of Personal Conduct Cases (“**PCC**”): A “risk severity rating” and related “individual misconduct rating” will be determined and inform the outcomes which will be automatically transferred into the pay review system.

Performance management is a shared and continuous responsibility between an employee and their manager. It involves setting clear performance objectives relevant to the role, providing regular feedback and recognition, assessing performance and behaviour, and coaching and supporting employees to perform to the best of their ability. This means having frequent check-ins on progress with performance objectives, behaviours and development goals, and adjusting objectives when necessary.

In objective setting conversation, it is manager’s responsibility to ensure employee understand that performance assessment is based on demonstrated behaviours in line with HSBC values and conduct expectations, as well as successful completion of objectives and other activities in their day-to-day role – both ‘what’ and ‘how’ performance is delivered – and that employees will receive both a performance and a behaviour rating at year-end.

It is also the responsibility of the first line of defence, business units, to determine if objectives and/or assessments are fit for purpose or if updates are required based on their expert observation/review of individual performance documents.

The Company follows the Group Consequence Management Framework (“**GCMF**”).

The GCMF is a global framework that provides consistency in the application of disciplinary actions and reward sanctions based on misconduct risk level applicable to all HSBC employees globally. The severity of the misconduct level determines the disciplinary actions and performance & pay consequences (in accordance with table below) to be applied for all conduct breaches including regulatory, policy or information security breaches.

Where misconduct arises, it is handled through the guidance provided within PCC framework. This guidance provides an overview for line managers, Human Resources and risk stewards on how performance and reward outcomes for PCC cases are determined. When determining performance and reward outcomes for PCC cases, a ‘risk severity rating’ and related ‘individual misconduct rating’ will inform the outcomes within the framework.

In addition, clear message is delivered to employees on impact of breaches as part of reward communications via pay statements.

Please refer to the HSBC remuneration practices and governance at <https://www.hsbc.com/who-we-are/leadership-and-governance/remuneration> of HSBC Plc for details of the major design characteristics of the remuneration system including alignment between risk and reward.

Disclosure on Remuneration

As set out above, the Company’s remuneration is aligned to HSBC Group’s remuneration policy and practices. HSBC Group including the shareholder has full knowledge of the remuneration of executive director and non-executive directors employed by HSBC Group and top five key executives.

Remuneration of independent non-executive directors

The remuneration for independent non-executive directors in FY2023 is in line with the HSBC Group's remuneration framework for independent directors:

Basic annual retainer fees	Amount
Board	SGD55,000
Lead Independent Non-Executive Director	SGD68,750
Additional Chair fees for:	
Audit Committee	SGD15,000
Risk Committee	SGD15,000
Additional Committee member fees for:	
Audit Committee	SGD10,000
Risk Committee	SGD10,000

Remuneration of Key Executives

The Board is also of the view that given the sensitive and confidential nature of the CEO and employees' remuneration, detailed disclosure on the remuneration of each of these individuals is not in the best interests of the Company. Since the Company is a wholly-owned subsidiary of the HSBC Group, providing such remuneration details will prejudice the Company's interests in relation to its competitors, given the highly competitive environment in the financial industry where poaching of executives is common place.

There is no employee of the Company who is a substantial shareholder of the Company or is an immediate family member of a director or the CEO or a substantial shareholder of the Company, and whose remuneration exceeds SGD100,000 during 2023.

Remuneration of Executive Directors and Non-Executive Directors employed by HSBC Group

Executive directors and non-executive directors employed by HSBC Group do not receive any remuneration or fees for their services as directors for the Company. The remuneration for such directors is delivered in their capacity of employees of the HSBC Group and is decided in line with HSBC Group's remuneration policy.

No disclosure is made on the Company's directors' interests in HSBC Plc shares as there are no public shareholders of the Company whose interests need to be protected through the disclosure of the directors' interests. In addition, in the case of executive directors and non-executive directors of the Company who are employed by HSBC Group, share options and discretionary awards of shares granted to them are considered part of their remuneration package and, as mentioned above, such disclosure would prejudice the Company's interests in relation to its competitors.

ACCOUNTABILITY AND AUDIT (Principles 9 to 10, CG Guidelines)

Board Risk Committee

The Board has ultimate responsibility for risk governance including approving the Company's risk appetite and the effective management of risk. Management advises the Board on risk appetite and its alignment with strategy, risk governance and internal controls, high-level risk related matters, and compliance with the guidelines on risk management.

The Board established a Risk Committee on 29 March 2022. As at the date of this report, the Risk Committee comprises three members, all of whom (including the Risk Committee Chairman) are non-executive directors. The members consist of Mr Nikzad Abbasabadi (Risk Committee Chairman), Mr Yap and Prof Chia who are appropriately qualified to discharge their responsibilities and have the relevant technical financial expertise in risk disciplines or business experience. The Board had not appointed any non-director with specific expertise to the Risk Committee.

Under the TOR of the Risk Committee, it is responsible for the oversight of risk-related matters including risk governance and internal control systems (other than internal controls over financial reporting). The Risk Committee is responsible, *inter alia*, for reviewing and providing independent challenge on risk management reports, assessing the risk profile of the Company and how the risks arising from the Company's businesses

are controlled, monitored and mitigated, for focusing on current and forward-looking risks to assess the Company's vulnerability and resiliency to potential risks, reviewing the effectiveness of the Company's conduct framework designed to deliver fair outcomes for customers and reviewing and satisfying itself that the Company's stress testing framework, governance and related internal controls are robust.

To assist the Risk Committee in discharging its duties, the Board has also appointed a CRO to oversee the risk management function.

HSBC's Risk Management Framework ("**RMF**") describes the approach to managing risk and applies to all types of risks – Financial Risk and Non-financial risks. Risk management starts with a strong risk culture, clear accountability and a formally defined risk appetite that articulates the level and types of risks that are acceptable to achieve our strategic objectives. Risk appetite shapes our requisite controls and dictates behaviors. We identify risks to our business and assess materiality by considering their likelihood and potential customer, financial, reputational and regulatory impacts. The risks are aggregated and reported to highlight material risks and support good decision making. Where necessary, risks are escalated to senior management and risk governance committees to facilitate management decisions, challenge and remediation.

Day-to-day risk management activities are the responsibility of senior managers of individual businesses, supported by global functions as described under the "3 Lines of Defence" model. The model delineates management accountabilities and defines who is responsible to do what to identify, assess, measure, manage, monitor and mitigate risks, encouraging collaboration and enabling efficient coordination of risk and control activities.

The Company uses four key risk management tools to promote strong enterprise-wide risk management: Risk Appetite Statement ("**RAS**"), Risk Map, Emerging Risks and Stress Testing. Risk Appetite Profile and Risk Map provide information on our current and projected Risk Profile for awareness and to inform decision making. Emerging Risks and Stress Testing provide information on the risk landscape that are impacting or could impact our Risk Profile. Enterprise Risk Reports generated by these tools are provided to the Risk Management Meetings ("**RMM**") and routinely to the Board for information. These consistent and integrated standard reports are used at the RMM to ensure appropriate monitoring and cascading of information is achieved.

As required under the MAS Guidelines on Risk Management Practices – Board and Senior Management, the Board has approved a RAS and RMF for the Company. An update on effectiveness of Risk Management function is provided to the Risk Committee annually with an overview of governance structure, framework for managing enterprise-wide risks and capacity and capability of resources within risk function to fulfill these responsibilities.

The Risk Management function is independent, with clearly delineated authority and responsibilities. Moreover, a risk management report is presented by the CRO to the Risk Committee at every meeting, which, in addition to updates on management of various financial and non-financial risks provide insight into effectiveness of internal controls.

Financial risks are the risk of a financial loss as a result of business activities. These are actively managed to maximise shareholder value and profits and include treasury risk, retail credit risk, wholesale credit risk, traded risk and strategic risk.

Non-financial risks are the risk of loss resulting from people, inadequate or failed internal processes, data or systems or external events. These arise due to day-to-day operations, while taking financial risks and include financial reporting and tax risk, resilience risk, financial crime risk, people risk, regulatory compliance risk, legal risk and model risk.

All risks typically have a risk steward at a country, regional and global level who is accountable for the holistic assessment and oversight of that risk. The responsibility of the risk steward includes defining and implementing the more detailed day to day approach of managing the specific risk. Further, the accountability also includes assessment and oversight of climate risk, and working with businesses to ensure appropriate climate risk frameworks are embedded.

The Own Risk and Solvency Assessments is a key risk management tool assessing of the overall solvency needs of the Company considering its internal capital position. In making the assessment it has regard to the Company's business plan, its overall strategic plan and the Company's own view of the key risks it is facing, both now and in the future together with the controls / risk mitigations against these risks.

Audit Committee

As at the date of this report, the Audit Committee comprises three members, all of whom are independent non-executive directors. The members are Mr Nikzad Abbasabadi (Audit Committee Chairman), Mr Yap and Prof Chia.

Two members including the Audit Committee Chairman have recent and relevant accounting or related financial management expertise or experience, and none of them are former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The Audit Committee is responsible for overseeing all matters relating to financial reporting and whistleblowing. In discharging their responsibility, as at the date of this report, the Audit Committee:

- Reviewed the financial statements to ensure it is in compliance with accounting standards and accounting judgements;
- Reviewed the effectiveness of internal financial control functions;
- Reviewed and obtained the assurance from the CEO and the CFO on the financial records and financial statements;
- Reviewed the adequacy, effectiveness, independence and performance of the external auditors and Internal Audit function and the scope and results of audits in respect of the operations of the Company;
- Made recommendation to the Board on proposal to the shareholder on the reappointment of external auditors and their remuneration and terms of engagement; and
- Reviewed whistleblowing policy and reports.

The Audit Committee members kept abreast of changes to accounting standards and issues which have a direct impact on financial statements through updates and briefings by Management and external auditors.

The Audit Committee meets with the external auditor and with the Head of Internal Audit, in separate sessions and without the presence of Management, at least once a year, to ensure that there are no unresolved issues or concerns. It also undertakes or considers on behalf of the Chair or the Board such other related tasks or topics as the Chair or the Board may from time to time entrust it to.

External Audit:

- The Company's external auditors have access to and provide regular reports to the Audit Committee. The Audit Committee reviews the assistance given by Management to the external auditors. The external auditors present their audit plan for the Company, the results of their audit and their evaluation of the Company's internal accounting controls to the Audit Committee for review. The Audit Committee reviews the key audit issues presented by the external auditor, the external auditor's approach to providing reasonable assurance that the financial statements are free from material misstatements and adequacy of internal controls relevant to the audit.
- The Audit Committee ensures that the external auditors promptly communicate to the Audit Committee, any information regarding internal control weaknesses, deficiencies, or other relevant matters. The status of any corrective action required arising from material findings in the external auditors' report is tracked by the relevant function and reported to the Audit Committee at its quarterly meetings until they have been addressed conclusively.
- The Audit Committee reviewed and recommended to the Board the re-appointment of the external auditors and the remuneration of the external auditors. In its review, the Audit Committee reviewed the independence, objectivity, experience and adequacy of the external auditors, the audit plan and audit focus of, and the reports and findings of the work performed by the external auditors, the external auditor's assessment, including the confirmation of its independence, to the Audit Committee and the fees paid to the external auditors for the provision of audit and non-audit services to the Company for FY2023.
- The Audit Committee was satisfied that the nature and extent of non-audit services did not prejudice the external auditor's independence and objectivity and, that the external auditors can be considered independent. The external auditors' remuneration includes (a) statutory audit fees of SGD2,099,442; and (b) non-audit services fees of SGD4,307,741 in relation to the FY2023 engagement.

Whistleblowing

Since the acquisition, the Company has adopted procedures to allow employees to have every opportunity to escalate concerns or known violations of company ethics or workplace policies. In the very rare

circumstances when an employee witnesses or experiences a possible incident of alleged wrongdoing or violation of company policy, they can report it to a manager, a senior manager, Human Resources and Compliance, or raise it on HSBC Confidential, a portal for employees to raise such issues in confidence, without fear of retaliation. Whistleblowing reporting is a standing agenda item of Audit Committee meetings.

Employees may report actual or suspected unlawful activity or violation of company policy to the Group Compliance Disclosure Line; a Human Resources professional; via Human Resources Solutions; and their manager (where appropriate).

Internal Audit

Singapore based Internal Audit (“**SG GIA**”) team established by HSBC Group’s Global Internal Audit (“**GIA**”) function oversees internal audit matters and its’s primary line of reporting is to the Audit Committee, and the Audit Committee approves the appointment, termination and evaluation of the Head of the Internal Audit in line with the Group’s Remuneration Strategy and principles.

The SG GIA ultimately reports to the HSBC Global Head of Audit for Wealth & Personal Banking, who is a member of the HSBC Global Internal Audit Executive Committee (“**GIA EXCO**”).

The Chair of the GIA EXCO is the Group Head of Internal Audit who reports functionally into the Chair of the Group Audit Committee and administratively into the Group CEO. The Group Head of Internal Audit is also a member of the HSBC Group Management Board. Based on this structure, the internal audit function is independent of the Company’s Management and has appropriate standing within the Company.

GIA adheres to The Institute of Internal Auditors’ (“**IIA**”) mandatory standards including the definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. In addition, GIA complies with Practice Advisories, Practice Guides and recommendations issued by the IIA to the extent that these apply. The SG GIA adopts the HSBC Global Internal Audit standards. SG GIA adopts the GIA standards.

The SG GIA follows a risk-based methodology in determining audit needs and formulating an annual plan of audit. SG GIA works in close coordination with GIA to ensure audit coverage is sufficient for the Company and from HSBC Group’s perspective.

Accountabilities of the audit function include the development and execution of a risk based annual audit plan, covering key risks, emerging risks, horizon risks and regulatory obligations, in line with the Group’s risk management and internal control frameworks. In accordance with its charter, the primary role of GIA is to help Management to protect the assets, reputation and sustainability of the HSBC Group. GIA provides independent and objective assurance as to whether the design and operational effectiveness of the Group’s framework of risk management, control and governance processes, as designed and represented by management, is adequate.

The Audit Committee had reviewed the adequacy and effectiveness of the Internal Audit function including whether it has adequate resources to fulfill its duties. Resources are regularly assessed for adequacy and requirements are raised to the attention of regional/global audit management. Given the existing model of coverage of the Company by GIA EXCO, the budget of the internal audit function was approved by the Group Audit Committee.

The Audit Committee reviews the internal audit plan and progress against the plan. The Audit Committee may also direct the SG GIA function to perform specific reviews. The internal audit plan is reviewed on a periodic basis and any changes to the plan are discussed with and reviewed by the Audit Committee. The Audit Committee reviews the performance of SG GIA annually, and is satisfied that the performance of the internal audit function was effective and adequate, and that the internal audit function is independent and adequately resourced.

SG GIA has direct and unfettered access to the Board, Audit Committee and Management. Further, SG GIA has full, free and unrestricted access to all activities, records, property and personnel to complete their work.

Internal Controls and Risk Management

The Audit Committee received requisite assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances.

The Risk Committee also received requisite assurance from the CEO and CRO that the Company's risk management and internal control systems were adequate and effective.

Based on the internal controls established and maintained by the HSBC Group and assessments from the Audit Committee and Risk Committee, the Board, with the concurrence of the Audit Committee and the Risk Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective for FY2023, to address the risks which the Company considers relevant and material to its operations. The system of internal controls and risk management provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud and other irregularities.

SHAREHOLDER RIGHTS AND ENGAGEMENT **(Principles 11 to 12, CG Guidelines)**

Shareholder Rights and Conduct of General Meetings

There is effective communication between the Company and the shareholder, which is entitled to participate in decisions concerning key corporate changes, such as any appointment to the Board and Board Committees and any amendment to the Constitution.

Annual General Meeting ("AGM") and Dividend Payment

The Company holds its AGM within six months after the financial year end. The AGM is deemed held pursuant to Section 179(6) of the Act. The Company does not "bundle" resolutions tabled at the general meetings for shareholder's approval, unless the resolutions are interdependent and linked so as to form one significant proposal.

As the Company has a sole shareholder, the Constitution does not provide for voting in absentia via mail or electronic means. The minutes of the AGM are not published on the Company's website but are available for the shareholder upon request.

The Company is committed to pay sustainable dividends that will enhance long-term shareholder value. When determining the dividends pay-out from the profits available for distribution, the Board will take into account regulatory capital requirements and other business needs.

Shareholder Communication and Engagement with Shareholder

There is no investor relations policy in place as the Company is a wholly-owned subsidiary. The sole shareholder is kept abreast of the Company's development through regular reports provided and through established channels of communication between the Board and the shareholder.

MANAGING STAKEHOLDERS RELATIONSHIPS **(Principle 13, CG Guidelines)**

Engagement with Stakeholders

The Company maintains a corporate website which provides current information on the Company and the Group to communicate and engage with stakeholders. The website contains information on the Group's (i) purpose, values and strategy; and (ii) sustainability commitment.

ADDITIONAL GUIDELINES OF MAS

Related Party Transactions

Policies on material related party transactions are established at HSBC Group level for all HSBC entities and the Company also complies with the local regulatory requirements.

Material related party transactions are disclosed in Note 26 of the Financial Statements. All related party transactions are conducted on reasonable commercial terms and carried out on an arm's length basis.

Directors with conflicts of interest will be excluded from the approval process of granting and managing related party transactions. Material related party transactions will also be reported to the Audit Committee for review and to the Board for approval.