

**HSBC BANK (SINGAPORE) LIMITED**

Registration Number: 201420624K

Corporate Governance Report 2021

Date: 19 May 2022

## INTRODUCTION

HSBC Bank (Singapore) Limited (“**Bank**”) was incorporated in Singapore on 14 July 2014 and is licensed by the Monetary Authority of Singapore (“**MAS**”) as a bank with qualifying full bank privileges to engage in banking business in Singapore with effect from 20 April 2016. The Bank is wholly-owned by The Hongkong and Shanghai Banking Corporation Limited (“**Shareholder**”).

The board of directors (“**Board**”) is committed to observing good corporate governance and works with senior management (“**Management**”) to deliver sustainable value to stakeholders. This Corporate Governance Report sets out the Bank’s corporate governance practices, which comply with the Banking (Corporate Governance) Regulations (“**CG Regulations**”) and all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (“**CG Guidelines**”). Where the Bank’s practices differ from the CG Guidelines with express disclosure requirements, the rationale is explained in this report.

## BOARD MATTERS (Principles 1 to 6, CG Guidelines)

### Board of directors

The Board currently comprises five members, majority of whom are independent and non-executive directors.

Mr Anthony William Cripps, Mr Mukhtar Malik Hussain and Mr Mervyn Fong Mun Ngin had respectively resigned from the Board on 3 April 2021, 31 July 2021 and 19 April 2022. Further, Mr Wong Kee Joo and Mr Edward Flanders were appointed to the Board on 1 June 2021 and 19 April 2022, respectively.

Mr Wong Kee Joo is an executive Director, Mr Edward Flanders is a non-independent non-executive Director, and the remaining three directors namely, Mrs Penny Goh (Board Chairman), Mrs Karen Tay Koh and Mr Winston Ngan are independent and non-executive Directors. Four of the directors are Singapore citizens.

### Information on directors

**Mrs Penny Goh**  
**(Ms Lee Yoke Sim Penny)**  
*Chairman*  
*Independent and non-executive*

Mrs Penny Goh was first appointed to the Board on 12 August 2019 and was appointed as Independent Chair of the Board on 16 February 2022. She is a member of the Audit Committee and Risk Committee.

Mrs Goh was formerly the Co-Chairman and Senior Partner of Allen & Gledhill LLP, a leading law firm in Singapore, where she has for many years headed the firm’s corporate real estate practice. She advises listed corporations, private equity property funds, sovereign wealth funds and real estate investment trusts and she has extensive experience in a broad range of corporate real estate transactions for commercial, industrial and logistics projects in Singapore and Asia Pacific, involving investment, joint development and profit participation structures. She is now Senior Adviser of Allen & Gledhill LLP with effect from 1 January 2020.

#### Academic and professional achievements

- Bachelor of Laws (Honours), National University of Singapore
- Member of Singapore Bar

#### Current directorships

- Keppel Land Limited\*: Non-executive Director
- Singapore Totalisator Board: Non-executive Director

- Keppel Corporation Limited\*: Non-executive Director
- Keppel REIT Management Limited (as manager of Keppel REIT\*): Non-executive Director and Chairman of the Board
- Trailblazer Foundation Ltd: Non-executive Director

*\*listed*

Other principal commitments

- Allen & Gledhill LLP: Senior Adviser
- SMU Advisory Board for Real Estate Programmes, Singapore Management University: Member of SMU Advisory Board

**Mrs Karen Tay Koh**  
**(Ms Tay Cheng Kim Karen)**  
 Director  
*Independent and non-executive*

Mrs Karen Tay Koh was first appointed to the Board on 5 May 2020 and is a member of the Audit Committee and Risk Committee. Mrs Koh is on the board of several companies including Manulife US Real Estate Management Pte Ltd (as manager of Manulife US REIT), Banyan Tree Holdings Limited and The Red Pencil Singapore. She has held several directorships, notably Singapore Deposit Insurance Corporation Limited, Falck (Denmark) and EDB Investments Pte Ltd. Mrs Koh was CEO and Executive Director of IP Investment Management Pte Ltd from 2016 to 2018, Deputy CEO of Singapore Health Services from 2001 to 2008, Deputy CEO of Singapore General Hospital from 2003 to 2008. She started her career with the Singapore Government Administrative Services which included postings at the Ministry of Finance, the Monetary Authority of Singapore and the Inland Revenue Department.

Academic and professional achievements

- Bachelor of Arts (Honours), Economics, Cambridge University
- Master in Public Administration/International Tax Program (Certificate), Harvard University

Current directorships

- Manulife US Real Estate Management Pte Ltd (as manager of Manulife US REIT\*): Non-executive Director; Audit and Risk Committee member
- BC Platforms AG (Switzerland): Non-executive Director and Audit Committee Chairman
- Banyan Tree Holdings Limited\*: Non-executive Director; Audit and Risk Committee member
- The Red Pencil (Singapore): Non-executive Director and Deputy Chairman of the Board
- HealthCura Pte. Ltd.: Executive Director
- Nutmeg Solutions Pte. Ltd.: Executive Director
- Nutmeg Capital Pte. Ltd.: Executive Director
- Nutmeg Management Pte Ltd: Executive Director

*\*listed*

Other commitments

- BC Platforms AG (Switzerland): Senior Advisor and Chair of Asia Advisory Board
- Center for Emerging Markets, D'amore Mckim School of Business, Northeastern University, USA: Advisory Board member

**Mr Winston Ngan Wan Sing**  
 Director  
*Independent and non-executive*

Mr Ngan was first appointed to the Board on 19 March 2021. He is the Chair of the Audit Committee and a member of the Risk Committee.

Mr Ngan who has retired as a Partner of Ernst & Young Singapore has more than 26 years of professional services experience including stints with Ernst & Young (EY) in Singapore and Canada. Prior to his retirement, he led EY Financial Services Assurance practice overseeing 1,300 audit professionals across ASEAN including Singapore. Mr Ngan was also a member of the EY Leadership team managing the Financial Services Assurance practices across Asia Pacific.

Academic and professional achievements

- Masters of Business Administration, York University, Toronto
- Bachelor of Science, Loughborough University of Technology

Current directorships

- Vinfast Trading & Investment Pte. Ltd.: Non-executive Director
- SNEC Health Research Endowment Fund: Non-executive member of the Board of Trustee
- SingHealth Fund-SNEC Institution Fund: Non-Executive Committee Member
- Azalea Asset Management Pte. Ltd.: Non-executive Director
- PYE Consulting Services Pte. Limited: Executive Director
- Society for the Physically Disabled: Non-executive President

**Mr Edward Michael Flanders**  
*Director*  
*Non-Independent and Non-Executive*

Mr Flanders was first appointed to the Board on 19 April 2022. He is the Chair of the Risk Committee and a member of the Audit Committee.

Mr Flanders has more than 30 years-experience with the HSBC Group and is currently the Head of Wholesale Credit and Market Risk Asia Pacific. He has held multiple roles in Wholesale Credit and Market Risk within the Group.

Academic and professional achievements

- Associate of Chartered Institute of Bankers
- Bachelor of Arts (Honours), Politics and History, University of Durham

**Mr Wong Kee Koo**  
*Director*  
*Executive*

Mr Wong was first appointed to the Board on 1 June 2021 following his appointment as Chief Executive Officer (“CEO”).

Mr Wong has more than 26 years of banking experience across different markets including the UK, Thailand, Hong Kong and China, and prior to his appointment as the CEO, was most recently HSBC’s Regional Head of Global Payments and Cash Management for the Asia Pacific region.

Academic and professional achievements

- Bachelor of Business Administration (Merit), National University of Singapore

Current directorships

- AXA Insurance Pte. Ltd.: Non-executive Director

#### Other commitments

- The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch: Authorised Representative
- The Climate Governance Singapore Limited: Advisory Board member
- The Institute of Banking and Finance: Council member
- The Association of Banks in Singapore: Council member
- Green Finance Industry Taskforce Steerco: Chairman
- MAS Financial Centre Advisory Panel: Member
- National Youth Achievement Award Singapore: Member

### **Board duties**

The Board is collectively responsible for the long-term success of the Bank and delivery of sustainable value to the Shareholder and other stakeholders. Its key responsibilities include:

- (i) providing entrepreneurial leadership within a framework of prudent and effective controls which enables risks to be assessed and managed;
- (ii) setting the strategy and risk appetite and approving the capital and operating plans for the Bank's achievement of the HSBC Group's strategic objectives;
- (iii) overseeing risk governance;
- (iv) reviewing the nominations and reasons for resignations of key appointment holders including directors, the CEO, Chief Financial Officer ("CFO") and Chief Risk Officer ("CRO"), and the organisational structure of the Bank;
- (v) providing oversight of Management;
- (vi) considering sustainability issues in formulating strategies;
- (vii) ensuring that Management formulates policies and processes to promote fair practices and high standards of business conduct; and
- (viii) providing stewardship of the HSBC corporate values and standards.

In addition to matters reserved to the Board by law and the Bank's Constitution, the following matters specifically require board approval:

- (i) strategic plans, annual operating plan, risk appetite and performance targets for the Bank;
- (ii) establishment of effective procedures for monitoring and control of operations including internal procedures for audit, risk and compliance;
- (iii) recovery plan of the Bank;
- (iv) authority or delegation of authority to approve credit, market risk limits, acquisition, disposal, investment, capital expenditure or realisation and creation of a new venture;
- (v) appointment of management executive committee members; and
- (vi) any substantial change in the policies established from time to time by the Board for balance sheet management, including capital adequacy, liquidity, maturity structure of assets and liabilities, interest rate and exchange rate risks and asset concentration.

All directors are required to act objectively in discharging their duties, and in the interests of the Bank. Where a director has a personal interest in a matter that may conflict with the director's duties to the Bank, the director is required to disclose the conflict, recuse himself from the discussion of the matter and abstain from voting on the matter.

### Board delegation

The Board has delegated certain duties to two board committees while retaining overall oversight. The committees are the Audit Committee and Risk Committee. The board committees have been constituted in accordance with the CG Regulations. Each board committee has written terms of reference which set out the committee's responsibilities. The terms of reference of the committees and the effectiveness of the committees are reviewed annually. Any change to the terms of reference 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.

As allowed under the CG Regulations, the Board performs the responsibilities of a nominating committee. In addition, MAS has, pursuant to Regulation 39(1) of the CG Regulations, exempted the Bank from forming a remuneration committee as the responsibilities of such committee are undertaken by the HSBC Group Remuneration Committee. The Board has not established a Board executive committee.

The Board has delegated certain authorities to the CEO and senior management of the Bank, with powers of sub-delegation in relation to the day-to-day management of all business and support functions of the Bank within certain financial limits and in accordance with certain directions.

### Meetings and attendance

The Board has six scheduled meetings and each of the board committees have four scheduled meetings in a year. Additional meetings are convened when required. Directors are provided with comprehensive information related to the agenda items in a timely manner. Copies of all Board and board committee minutes 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 are minuted including any concerns raised by the independent directors and maintained by the Company Secretary.

The constitution of the Bank 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 2021 and the attendance of directors at the meetings.

#### 2021 Meetings and Attendance

	Board	AC	RC
<b>Number of meetings held</b>	<b>10</b>	<b>4</b>	<b>4</b>
<b>Number of meetings attended by director</b>			
Mr Mukhtar Malik Hussain <sup>1</sup>	5/6	2/3	2/3
Mr Anthony William Cripps <sup>2</sup>	3/3	-	-
Mrs Karen Tay Koh	10/10	4/4	4/4
Mr Mervyn Fong Mun Ngin <sup>3</sup>	10/10	4/4	4/4
Mrs Penny Goh <sup>4</sup>	10/10	4/4	4/4
Mr Winston Ngan <sup>5</sup>	7/7	3/3	3/3
Mr Wong Kee Joo <sup>6</sup>	6/6	-	-

<sup>1</sup>Ceased to be a Director and Member of Audit and Risk Committees on 31 July 2021

<sup>2</sup>Ceased to be Director and CEO on 3 April 2021

<sup>3</sup>Ceased to be a Director, Chairman of Risk Committee and Member of Audit Committee on 19 April 2022

<sup>4</sup>Appointed as Chairman of the Board on 16 February 2022

<sup>5</sup>Appointed as Director on 19 March 2021

<sup>6</sup>Appointed as Director and CEO on 1 June 2021

## **Directors' induction and continuous development**

Upon appointment, new directors are given a comprehensive and tailored induction. The induction includes materials on a director's duties and obligations, the terms of reference 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 Bank's business, operations, risk management and governance practices.

All directors are given appropriate training on a continuing basis. Directors attend in house and external programmes, such as those conducted by the Singapore Institute of Directors. Directors may also request training on specific topics of interest. In addition to in-house and external programmes, executive directors have access to training programmes for employees.

Training topics covered in 2021 included health, safety and wellbeing, risk management, cyber security, data privacy, sustainability, financial crime risk, anti-bribery and corruption, anti-money laundering, sanctions, fraud, tax transparency, workplace conduct, data literacy and competition law.

Annually, the directors are given updates on key HSBC policies. At quarterly Board and board committee meetings, directors are briefed on matters relating to risk management including financial crime risk and regulatory compliance risk, the Bank's conduct and behavioral standards and on customer experience.

The Board evaluates the effectiveness of the training program and is satisfied that the regular updates and training as set out above met the objective of equipping them with the appropriate knowledge to perform their duties.

## **Culture and conduct**

As part of the HSBC Group, the Bank adopts the HSBC values which promote high levels of professional conduct of business and had implemented policies, frameworks and processes where all employees have to abide by. The values emphasise proper conduct including integrity at all times and are adopted as performance appraisal criteria for employees. All employees of the Bank are required to undergo training on the values.

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

## **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 experience in banking, finance and management, providing the core competencies that are relevant to the Bank's business and contributing to the effective oversight of the Bank's affairs. After taking into account the Bank's scope and nature of business and operations, the Board considers a board size of up to seven members appropriate for overseeing the Bank's affairs and for progressive renewal of the Board. Succession planning is an ongoing process. The Board will continue to assess the board size and the skills and expertise required to provide effective stewardship of the Bank. The Board recognises the importance of diversity and inclusivity at the Board and, in line with the Board diversity policy, the Board remains committed to ensuring it is appropriately balanced. The Board maintains a diversity policy with an aspirational target of two female directors on the Board. Currently, two out of five directors on the Board

are female.

In assessing each director's independence, the Board considers the director's profile, disclosures of his other appointments, interests or personal circumstances as well as 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 a fit and proper person for office based on the MAS Guidelines on Fit and Proper Criteria.

There is a strong independent element on the current Board, with independent directors making up more than half of the Board. Each director's tenure on the Board is less than nine years. Page 10 sets out the Board's assessment of directors' independence.

In addition, a majority of the Board comprises non-executive directors. This Board composition allows constructive challenge of proposals tabled before the Board. To facilitate an even more effective check and balance on senior management, the non-executive directors led by the independent Chair meet at least once a year without the presence of Management.

### **Chair and CEO**

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

Mrs Penny Goh is the independent and non-executive Chair. The Chair's 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.

Mr Wong Kee Joo is the CEO and leads the management team and implements the decisions of the Board and board committees. Assisted by the executive management committee, the CEO is responsible for the Bank's day-to-day operations and business, including ensuring the continued adequacy and effectiveness of the system of internal controls and risk management.

A lead independent director is not appointed as the Chairman is independent and non-executive.

### **Selection and nomination of directors**

The Board performs the functions of a 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 nomination, appointment and reasons for the resignation of directors and the CEO, CFO and CRO.

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 skills that the Board and board committee members require to discharge their responsibilities effectively ("**skills matrix**"); and (iv) whether the candidate will be able to allocate sufficient time to discharge his responsibilities effectively.



In recommending the appointment and annual re-appointment of executive and non-executive directors to the Board, the Board seeks to ensure that these directors fulfill their criteria and skill sets which are aligned with the strategic direction and emerging challenges faced by the Bank.

As part of the fit and proper assessment, the Bank conducted vetting checks which included credit bureau, litigation and blacklist searches.

The Board in considering whether the candidate would be able to allocate sufficient time, had 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.

### **Key Appointment Holders**

The following changes took place in 2021 and up to the date of this report:

- (i) Mr Anthony William Cripps stepped down as Executive Director and CEO on 3 April 2021.
- (ii) Mr Wong Kee Joo was appointed Executive Director and CEO on 1 June 2021.
- (iii) Mr Mukhtar Malik Hussain stepped down as Non-Independent Non-Executive Director and Board Chair on 31 July 2021.
- (iv) Mr Kelvin Tan was appointed as Head of Sustainable Finance and Investments on 1 September 2021.
- (v) Mrs Penny Goh was appointed Board Chair on 16 February 2022.
- (vi) Ms Tancy Tan was appointed Chief Operating Officer on 21 February 2022 replacing Mr Olfert de Wit who stepped down on 14 October 2021.
- (vii) Ms Rachel Lin was appointed on 9 May 2022 replacing Mr Daniel Fitzpatrick who stepped down as Head of Communications on 31 March 2022.
- (viii) Mr Mervyn Fong Mun Ngin stepped down as Independent Non-Executive Director, Chair of the Risk Committee and member of the Audit Committee on 19 April 2022.
- (ix) Mr Edward Flanders was appointed as Non-Independent Non-Executive Director, Chair of the Risk Committee and member of the Audit Committee on 19 April 2022.

### **Re-appointment of directors**

Each of the directors are subject to re-election at the Annual General Meeting (“**AGM**”). Mr Mukhtar Malik Hussain, Mr Mervyn Fong Mun Ngin, Mrs Karen Tay Koh, Mrs Penny Goh, Mr Winston Ngan and Mr Wong Kee Joo were re-elected at the 2021 AGM. In considering their re-appointments, the Board conducted its annual review to assess (i) the independence status of each director, (ii) whether each director remained 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 skills matrix. Prior to the Board meeting, the directors completed fit and proper declarations confirming their fit and proper status. The Board had concluded that each director was fit and proper for the position of director on the basis of their assessment, their individual contributions to deliberations at Board and committee meetings, their fit and proper declarations and results of various searches including credit bureau, litigation and blacklist searches conducted on each director.

## 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. The Board made the following independence assessments in May 2022:

- (i) Mrs Penny Goh is independent from business and management relationships with the Bank and its related corporations, and is independent from the Shareholder. She is not currently employed by any HSBC company, does not serve on the boards of other HSBC companies and has no direct family members who are employed by the Bank.
- (ii) Mrs Karen Tay Koh is independent from business and management relationships with the Bank and its related corporations, and is independent from the Shareholder. She is not currently employed by any HSBC company, does not serve on the boards of other HSBC companies and has no direct family members who are employed by the Bank.
- (iii) Mr Winston Ngan is independent from business and management relationships with the Bank and its related corporations, and is independent from the Shareholder. He is not currently employed by any HSBC company, does not serve on the boards of other HSBC companies and has no direct family members who are employed by the Bank.
- (iv) Mr Wong Kee Joo is an executive Director and CEO of the Bank. He is not considered independent from the Bank and the Shareholder.
- (v) Mr Edward Flanders is currently the Chief Credit Officer, Wholesale and Head of Wholesale Credit Risk Management Asia Pacific and is employed by an HSBC company. He is independent from business and management relationships with the Bank. As he oversees wholesale credit risk management of the Shareholder, he is not independent from the Shareholder.

With three independent directors, namely Mrs Karen Tay Koh, Mrs Penny Goh and Mr Winston Ngan, the Bank has satisfied the requirement under the CG Regulations that where a substantial shareholder holds 50% or more of the share capital of the voting power in a bank incorporated in Singapore, at least one-third of directors must be independent.

None of the independent directors have served on the Board for more than nine years from the date of first appointment.

## 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 includes quality of risk management, adequacy of internal controls, board culture and behaviour and attendance of directors at Board and board committee meetings as well as the contribution by the Chair and each individual director. Policies exist whereby if the Board is deliberating upon any matter that involves a member, including his/her performance, that member would not participate in the discussion and/or recuse himself/herself from the discussion to avoid conflicts of interest. The results of these collective self-assessments are reviewed and discussed at the Board. The assessment results are used constructively to discuss improvement opportunities for the Board and board committees.

## Board's access to information

Directors have separate and unrestricted access to information and Management. Directors are entitled to request from Management and be provided with such additional information as needed to make informed

decisions and to discharge their duties effectively. 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 monthly internal financial statements, with material variances between projections and actuals. Information provided on an ongoing basis at board meetings includes financial, business, risk, operational, human resources and regulatory updates. The Board has unrestricted access to the Bank's senior executives at all times. All scheduled Board and board committee meetings papers are distributed to Directors not less than 7 days in advance of the meetings. Directors are also equipped with secure access to electronic Board and committee meeting materials. Any additional material or information requested is furnished promptly.

### **Company Secretary's duties**

Directors have separate and unrestricted access to the Company Secretary. The Company Secretary attends all Board, Audit Committee, Risk Committee and management Executive Committee ("EXCO") meetings and prepares minutes of those proceedings. She is responsible for (i) ensuring that board procedures are followed and that applicable rules and regulations are complied with; (ii) assisting the Chairman to prepare the agendas of all Board and board committee meetings; (iii) facilitating good information flows within the Board, the Audit Committee, Risk Committee and the EXCO; (iv) facilitating the annual process of the evaluation of director's independence and qualification for office; (v) advising the Board on governance matters; (vi) facilitating the orientation of non-executive directors and assisting with directors professional development as required; (vii) maintaining minutes of all Board, Audit Committee and Risk Committee meetings and records of all directors' resolutions; (viii) facilitating the Board's annual performance evaluation; (ix) reminding and facilitating the disclosure by the directors of theirs' and their related party interests; (x) preparation of the Corporate Governance Report; (xi) acting as a channel of communication between the Board, Audit Committee and Risk Committee and the board and audit and risk committees of the Shareholder; (xii) acting as a channel of information between the Bank and the Shareholder by reporting on material Board developments to the company secretary of the Shareholder.

The appointment and removal of the Company Secretary is subject to approval by the Board.

Directors, either individually or as a group, in furtherance of their duties, may appoint, employ or retain such professional advisors as they may consider appropriate. Any such appointment shall be made through the Company Secretary, who shall be responsible for the contractual arrangements and payment of fees by the Bank on behalf of the Board.

### **REMUNERATION MATTERS (Principles 6 to 8, CG Guidelines)**

The Bank has an exemption from the MAS on the requirement to set up a Remuneration Committee pursuant to Regulation 39(1) of the CG Regulations on the basis that the responsibility of the Remuneration Committee will be undertaken by the HSBC Group Remuneration Committee and the Shareholder's Remuneration Committee under the HSBC Group's Subsidiary Accountability Framework.

The board of directors of the Shareholder, adopts the remuneration policy of HSBC Holdings plc which is the ultimate holding company of the Bank. The policy which covers all aspects of remuneration is approved by the HSBC Group Remuneration Committee which comprises independent non-executive directors. The HSBC Group Remuneration Committee is responsible for setting the principles, parameters and governance framework in line with HSBC values for HSBC Group's remuneration policy applicable to all HSBC Group employees. The Shareholder's Board and its Remuneration Committee consisting of independent non-executive directors are accountable to review the Group policy and to independently consider its effectiveness in complying with local regulations in order to support delivery of its strategic priorities. The Bank also undertakes an annual performance and pay review to ensure that remuneration policies do not create incentives for excessive risk taking and aggregated recommendations are presented

to the Board for review annually.

### **Level and mix of remuneration**

The Bank's remuneration is aligned to the HSBC Group's remuneration policy and practices which promote sound and effective risk management and support our business objectives.

Our remuneration strategy is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience with the HSBC Group while performing their role in the long-term interests of our stakeholders.

Total Reward, consisting of fixed pay, variable pay, retirement plan and benefits, is the key focus of our remuneration framework. Total Compensation comprising 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 Bank 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.

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.

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 Group's remuneration strategy, as approved by the Group Remuneration Committee, is based on the following principles:

- Focus on total compensation with a strong link between pay and performance
- Judge not only what is achieved, but also how it is achieved, and whether it is in line with the HSBC Values
- Operate a thorough performance management and HSBC Values assessment process
- Recognise and reward our employees for outstanding positive behaviour
- Design our policy to align compensation with long-term stakeholder interests
- Apply consequence management to strengthen the alignment between risk and reward

Based on these principles, HSBC's approach to determining remuneration is based on the following objectives:

- Offering our employees a competitive total reward package. This includes market competitive fixed pay levels, which ensure our employees are able to meet their basic day-to-day needs;
- Maintaining an appropriate balance between fixed pay, variable pay and employee benefits, taking into consideration an employee's seniority, role, individual performance and the market;
- Ensuring variable pay is awarded on a discretionary basis and dependent upon Group, business and individual performance;
- Offering employee benefits that are valued by a diverse workforce, appropriate at the local market level

- and support HSBC's commitment to employee well-being;
- Promoting employee share ownership through variable pay deferral or voluntary enrolment in an employee share plan; and
- Linking reward packages to performance and behaviour with no bias towards an individual's ethnicity, gender, age, or any other characteristic.

Please refer to the HSBC remuneration practices and governance at <https://www.hsbc.com/who-we-are/leadership-and-governance/remuneration> and the Capital and Risk Management Pillar 3 Disclosures of HSBC Holdings plc for details of the major design characteristics of the remuneration system including alignment between risk and reward.

### Remuneration of key executives

The Bank is ultimately a wholly-owned subsidiary of HSBC Holdings plc. As set out above, the Bank's remuneration is aligned to HSBC Group's remuneration policy and practices. HSBC Group including the Shareholder has full knowledge of the remuneration of the Bank's executive directors and non-executive directors and the top five 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 the top five key executives is not in the best interests of the Bank. Since the Bank is a wholly-owned subsidiary of the HSBC Group, providing such remuneration details will prejudice the Bank's interests in relation to its competitors, given the highly competitive environment in the financial industry where poaching of executives is common place.

### Remuneration of Executive Directors and Non-Executive Directors employed in the HSBC Group

Executive directors and non-executive directors employed in the HSBC Group do not receive any remuneration or fees for their services as directors for the Bank. 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.

### Remuneration of Independent Non-Executive Directors

The remuneration for independent non-executive directors in 2021 is in line with the HSBC Group's remuneration framework for independent directors:

	<b><u>Role</u></b>	<b><u>Fees per annum</u></b>
(i)	Board Chair's fee	S\$135,000
(ii)	Board member's fee	S\$85,000
(iii)	Committee Chair's fee for Audit and Risk Committees	S\$53,000
(iv)	Committee member's fee for Audit and Risk Committees	S\$33,000

There is no employee of the Bank who is an immediate family member of a director or the CEO whose remuneration exceeds S\$50,000 for the year under review.

### Employee share plans

HSBC operates all-employee share option plans under which options are granted over HSBC ordinary shares for UK participants or for those outside of the UK, the HSBC International Employee Share Purchase Plan applies, no options are granted under this plan. HSBC's all-employee share plan is also published on page 294 of the Annual Report and Accounts 2021 for HSBC Holdings plc at this link: <https://www.hsbc.com/investors/results-and-announcements/annual-report>

No disclosure is made on the Bank's directors' interests in HSBC Holdings plc shares as there are no public shareholders of the Bank 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 Bank 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 Bank's interests in relation to its competitors.

## **RISK MANAGEMENT, INTERNAL AUDIT AND INTERNAL CONTROLS** **(Principles 9 to 10, CG Guidelines)**

### **Risk Management**

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.

The Board has ultimate responsibility for risk governance including approving the Bank's risk appetite and the effective management of risk. The Bank's 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

Executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management policies resides with the Risk Management Meeting ("**RMM**").

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 Bank 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 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.

The Global Risk Appetite Framework ("**GRAF**") sets out HSBC's approach to measuring, managing and reporting Risk Appetite. It provides a globally consistent approach, outlining processes, policies, metrics and governance, to help ensure that business activities remain within the stated risk appetite of the Bank.

The Bank complies with the GRAF and supplements the framework by setting the scope of applicability and detailing any deviations from the GRAF, including guiding principles, governance, metrics, monitoring and associated reporting processes that are specific to the Bank. The Bank's GRAF Addendum is written consistent with the Shareholder's GRAF Addendum and is subject to annual review and approval by the Board.

As required under the MAS Guidelines on Risk Management Practices – Board and Senior Management, the Board has approved a Risk Appetite Framework for the Bank. 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 Chief Risk Officer 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.

### **Internal audit**

Internal Audit coverage of the Bank is performed by a HSBC Singapore-based audit team. The Singapore audit team is responsible for the oversight of, and provision of audit coverage in, the Bank in conjunction with specialist global business and functions audit teams established by the HSBC Group's Global Internal Audit ("**GBL INA**") function.

The Bank has a Head of Internal Audit ("**Head of INA**") overseeing internal audit matters. 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 Bank by GBL INA, the budget of the internal audit function was approved by the Group Audit Committee.

GBL INA 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, GBL INA complies with Practice Advisories, Practice Guides and recommendations issued by the IIA to the extent that these apply. The Singapore Internal Audit function ("**SG INA**") adopts the GBL INA standards.

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 GBL INA is to help Management to protect the assets, reputation and sustainability of the HSBC Group. GBL INA 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 Head of INA reports functionally to the Audit Committee Chair and to the South East Asia cluster Head of Audit and administratively to the CEO of HSBC Singapore. Global Business and Functions audit teams responsible for coverage of the Bank have dual reporting lines to the Regional Head of Audit for Asia Pacific (a GBL INA Executive Committee member) and Global Business and Functions Audit Team Heads. The Chair of the GBL INA 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 Bank's management and has appropriate standing within the Bank.

SG INA follows a risk-based methodology in determining audit needs and formulating an annual plan of audit. SG INA works in close coordination with GBL INA to ensure audit coverage is sufficient for the Bank and from HSBC Group's perspective. The Audit Committee reviews the internal audit plan and progress against the plan. The Audit Committee may also direct the Head of INA or the SG INA 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 INA 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.

On a quarterly basis, the Head of INA updates the Audit Committee on all completed and upcoming audits and findings from audits conducted. The Audit Committee meets with the Head of Internal Audit, without the presence of Management at least once a year. The Internal Audit has unfettered access to the Audit Committee, the Board and the Management to carry out its functions.

### **Board Risk Committee**

As at the date of this report, the Risk Committee comprises Mr Edward Michael Flanders (Chair), Mrs Karen Tay Koh, Mrs Penny Goh and Mr Winston Ngan. Mr Flanders was appointed Chair of the Risk Committee on 19 April 2022. Mr Mervyn Fong Mun Ngin who was Chair, resigned effective from 19 April 2022. As at the date of this report, the Board had not appointed any non-director with specific expertise to the Risk Committee.

All Risk Committee members are non-executive directors, and appropriately qualified to discharge their responsibilities, and have the relevant technical financial expertise in risk disciplines or business experience.

Under the terms of reference of the Risk Committee, the Risk Committee 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 Bank and how the risks arising from the Bank's businesses are controlled, monitored and mitigated, for focusing on current and forward-looking risks to assess the Bank's vulnerability and resiliency to potential risks, reviewing the effectiveness of the Bank's conduct framework designed to deliver fair outcomes for customers and reviewing and satisfying itself that the Bank's stress testing framework, governance and related internal controls are robust. The Risk Committee received requisite assurance from the CRO and such other key management personnel that the Bank's risk management and internal control systems were adequate and effective.

The Risk Committee reviews the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") annually and also reviewed the results from the stress-testing process to ensure overall alignment with the Bank's ICAAP.

### **Board Audit Committee**

As at the date of this report, the Audit Committee comprises Mr Winston Ngan (Chair), Mrs Karen Tay Koh, Mr Edward Michael Flanders and Mrs Penny Goh. Mr Edward Michael Flanders was appointed to the Audit Committee as a member on 19 April 2022. Mr Mervyn Fong Mun Ngin resigned as a member effective from 19 April 2022.

All Audit Committee members are non-executive directors and a majority, including the Audit Committee Chair, are independent. Mr Ngan possesses an accounting qualification and was formerly a Partner of Ernst and Young, Singapore and Head of the Financial Services Assurance practice, ASEAN. All Audit Committee members have recent and relevant accounting or related financial management expertise or experience.

The Board, through the Audit Committee, ensures the integrity of the financial reports and oversees the Bank's financial reporting, internal accounting control system and the audit function.



## Responsibilities

The Audit Committee has responsibility, delegated to it from the Board, for overseeing all matters relating to financial reporting. In discharging their responsibility, the Audit Committee oversees:

- (i) preparation of financial statements, compliance with accounting standards and accounting judgements;
- (ii) the effectiveness of internal financial control functions;
- (iii) the adequacy, effectiveness, independence and performance of the external auditors and Internal Audit and the scope and results of audits; and
- (iv) whistleblowing.

The Audit Committee held four scheduled meetings in 2021. During 2021, the Audit Committee reviewed, *inter alia*, the following:

(i) Financial statements:

On a quarterly basis, the Audit Committee reviews, *inter alia*, financial performance updates, updates on all completed and upcoming audits and updates on controls relating to financial reporting.

The Audit Committee reviews the Bank's financial statements before they are submitted to the Board. In respect of the financial year ended 31 December 2021, the Audit Committee reviewed the audited financial statements with management and the external auditors, including discussions on the accounting principles applied and significant financial reporting judgements to ensure the integrity of the financial statements.

The Audit Committee received requisite assurance from the 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.

(ii) Internal Audit:

On a quarterly basis, the Head of INA updates the Audit Committee on all completed and upcoming audits and findings from audits conducted. As mentioned above, the Audit Committee meets with the Head of Internal Audit, without the presence of Management at least once a year.

In addition, the Audit Committee oversees the internal audit plan and progress against plan, as mentioned above in page 15 and 16.

(iii) External Audit:

The Bank'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 Bank, the results of their audit and their evaluation of the Bank'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 auditor promptly communicates 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 auditor's 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 remuneration of the external auditors and that the external auditors be re-appointed. 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 self-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 Bank for 2021. 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 is disclosed in the 31 December 2021 financial statements and includes (a) statutory audit fees of S\$443,000; and (b) non-audit services fees of S\$257,000 in relation to the year ended 31 December 2021 engagement.

(iv) Whistleblowing:

The Bank adopts the HSBC Group's whistleblowing policies and procedures. HSBC's global whistleblowing channel, HSBC Confidential is open to colleagues and other stakeholders to raise concerns either confidentially or anonymously. The Audit Committee is satisfied that whistleblowing arrangements and assessments of the whistleblowing arrangements are in place for capturing and responding to whistleblowers' concerns in confidence and ensuring protection of the whistleblowers. At each Audit Committee meeting, the Audit Committee is provided with management information on whistleblowing cases affecting the Bank. In March 2021, the Board received a refresher briefing on the HSBC Group's whistleblowing policy and procedures.

The Audit Committee meets with the external auditors and the Head of Internal Audit, in separate sessions and without the presence of Management, at least once a year.

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

### **Internal controls and risk management**

Based on the internal controls established and maintained by the HSBC Group, the Board, following assessments from the Audit Committee and 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 the period ended 31 December 2021, to address the risks which the Bank considers relevant and material to its operations. The system of internal controls and risk management provides reasonable, but not absolute, assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud and other irregularities.

### **SHAREHOLDER (Principles 11 to 13, CG Guidelines)**

There is effective communication between the Bank 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 Bank's Constitution.

## **Dividend Payment**

Declared dividends are paid out of the Bank's profits available for distribution after taking into account regulatory capital and other business needs.

## **Annual General Meeting ("AGM")**

The Bank holds its AGM within six months from the financial year-end. The AGM is convened pursuant to Section 179(6) of the Companies Act.

As the Bank has a sole shareholder, the constitution does not provide by voting in absentsia via mail or electronic means. The minutes of the AGM are not published on the Bank's website but is available for the Shareholder upon request.

## **Shareholder Communication**

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

## **Stakeholder Engagement**

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

## **RELATED PARTY TRANSACTIONS (Principle 14, CG Guidelines)**

Policies on related party transactions are established at the HSBC Group level for all HSBC entities. Group policies mandate that inter-Group transactions are conducted on an arm's length basis. Staff lending policies are documented as part of the Bank's overall lending programme. The Bank also complies with local regulatory requirements with respect to the monitoring and reporting of the exposures of the Bank to related parties. The Board has established policies on related party transactions and delegated to the Audit Committee the responsibility of reviewing related party transactions above the materiality threshold.

In connection with the preparation of the Bank's annual statutory accounts, the Audit Committee reviews all material related party transactions and keeps the Board informed of such transactions, and the findings and conclusions from its review. The Bank disclosed material related party transactions in the notes to the financial statements for the financial year ended 31 December 2021.