

**HSBC BANK (SINGAPORE) LIMITED**  
Registration Number: 201420624K

Corporate Governance Report 2023

Date: 9 May 2024

## 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 seven members, majority of whom are independent and non-executive directors. Five of the directors are Singapore citizens.

The directors who served during the year ended 31 December 2023 and up to the date of this report are shown below.

### Information on directors

<p><b>Lee Yoke Sim Penny (Known as Penny Goh)</b> <i>Independent Non-executive Chair</i></p>	<p>Penny 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.</p> <p>Penny is Senior Adviser of Allen &amp; Gledhill LLP. She was formerly the Co-Chairman and Senior Partner at Allen &amp; Gledhill LLP, a leading South-east Asian law firm, where she has for many years served on the Firm’s Executive Committee and as the Head of the Firm’s Corporate Real Estate Practice.</p> <p>She advises listed corporations, private equity 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 and data centre projects in Singapore and Asia Pacific, involving mergers and acquisitions, joint developments and complex real estate structures.</p> <p>She is a pioneer in Singapore’s real estate investment trusts (REITs) market. She had originated and advised on the first Singapore REIT listed on the Singapore Exchange and played a key role in developing the Singapore REITs market. She had advised on almost all of the landmark commercial buildings that frame the Marina Bay skyline.</p> <p>Her Asia Pacific experience covers ASEAN, Japan, Korea, China and Australia.</p> <p>She is an Honorary Legal Advisor to the Real Estate Developers’ Association of Singapore (REDAS) and is a member of the Advisory Board for Real Estate Programme, Singapore Management University.</p> <p>She is an Independent Director of Keppel Corporation Limited and chair of its Remuneration Committee and a member of its Audit and Risk Committees.</p>
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	<p>She is also an Independent Director of Singapore Totalisator Board and co-chair of its Grant Approval Committee.</p> <p>She was formerly Chairman and Non-Executive Director of Keppel REIT Management Limited, the manager of Keppel REIT and she was the Lead Independent Director of Mapletree Logistics Trust Management Ltd, manager of Mapletree Logistics Trust where she chaired the Nominating and Remuneration Committee.</p> <p><u>Academic and professional achievements</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Laws, National University of Singapore</li> <li>• Member of Singapore Bar</li> </ul> <p><u>Current directorships</u></p> <ul style="list-style-type: none"> <li>• Keppel Corporation Limited*: Non-executive Director</li> <li>• Singapore Totalisator Board: Non-executive Director</li> <li>• Trailblazer Foundation Ltd: Non-executive Director</li> </ul> <p><i>*listed</i></p> <p><u>Other commitments</u></p> <ul style="list-style-type: none"> <li>• Allen &amp; Gledhill LLP: Senior Adviser</li> <li>• SMU Advisory Board for Real Estate Programme, Singapore Management University: Member of SMU Advisory Board</li> </ul>
<p><b>Tay Cheng Kim Karen</b>  <b>(Known as Karen Tay Koh)</b>  <i>Independent</i>  <i>Non-executive Director</i></p>	<p>Karen was first appointed to the Board on 5 May 2020 and is a member of the Audit Committee and Risk Committee.</p> <p>Karen 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. She 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.</p> <p><u>Academic and professional achievements</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Arts, Economics, Cambridge University</li> <li>• Master in Public Administration/International Tax Program (Certificate), Harvard University</li> </ul> <p><u>Current directorships</u></p> <ul style="list-style-type: none"> <li>• Lernen Midco 2 Limited: Non-executive Director</li> <li>• K3 Venture Partners Pte Ltd: Non-executive Director</li> <li>• Manulife US Real Estate Management Pte Ltd (as manager of Manulife US REIT*): Non-executive Director; Audit and Risk Committee member</li> <li>• BC Platforms AG (Switzerland): Non-executive Director and Audit Committee Chairman</li> <li>• Banyan Tree Holdings Limited*: Non-executive Director; Audit and Risk Committee member</li> <li>• The Red Pencil (Singapore): Non-executive Director and Deputy Chairman of the Board</li> <li>• HealthCura Pte. Ltd.: Executive Director</li> <li>• Nutmeg Solutions Pte. Ltd.: Executive Director</li> <li>• Nutmeg Capital Pte. Ltd.: Executive Director</li> <li>• Nutmeg Management Pte Ltd: Executive Director</li> </ul>

	<p><i>*listed</i></p> <p><u>Other commitments</u></p> <ul style="list-style-type: none"> <li>Center for Emerging Markets, D'amore Mckim School of Business, Northeastern University, USA: Advisory Board member</li> </ul>
<p><b>Ngan Wan Sing Winston</b> <b>(Known as Winston Ngan)</b> <i>Independent Non-executive Director</i></p>	<p>Winston 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.</p> <p>Winston retired as a Partner of Ernst &amp; Young (EY) Singapore and has more than 26 years of professional services experience including stints with 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. He was also a member of the EY Leadership team managing the Financial Services Assurance practices across Asia Pacific.</p> <p><u>Academic and professional achievements</u></p> <ul style="list-style-type: none"> <li>Masters of Business Administration, York University, Toronto</li> <li>Bachelor of Science, Loughborough University of Technology</li> </ul> <p><u>Current directorships</u></p> <ul style="list-style-type: none"> <li>Singapore Association for Mental Health: Non-executive Director</li> <li>United Overseas Insurance Limited*: Non-executive Director</li> <li>PEC Ltd.: Non-executive Director</li> <li>SNEC Health Research Endowment Fund: Non-executive member of the Board of Trustees</li> <li>SingHealth Fund-SNEC Institution Fund: Non-executive Committee Member</li> <li>PYE Consulting Services Pte. Limited: Executive Director</li> <li>KCS1 Pte. Ltd.: Non-executive Director</li> <li>Kadita GP1 Ltd.: Non-executive Director</li> </ul> <p><i>*listed</i></p> <p><u>Other commitments</u></p> <ul style="list-style-type: none"> <li>Kadita Partners Pte. Ltd.: Chairman, Audit Risk and Valuation Committee</li> </ul>
<p><b>Liew Lien Ban</b> <b>(Known as Sam Liew)</b> <i>Independent Non-executive Director</i></p>	<p>Sam was first appointed to the Board on 4 April 2023 and is a member of the Audit Committee and Risk Committee.</p> <p>Sam is the Chief Executive, Government Strategic Business Group at Singtel NCS Group. In this role, he leads technologists across the Public Service, Defence and Homeland Security business in Singapore and across Asia Pacific. Prior to NCS, Sam was Managing Director of GIC's Technology Group and headed up its Business Partner and Solutions Division. Before that, he was Managing Director at Accenture ASEAN Technology, where he led its Asia Pacific Communications Centre of Excellence and was a member of the Global Technology Leadership and ASEAN Geographical Leadership Council.</p> <p><u>Academic and professional achievements</u></p> <ul style="list-style-type: none"> <li>Bachelor of Accountancy, Nanyang Technological University</li> </ul> <p><u>Current directorships</u></p> <ul style="list-style-type: none"> <li>Lawnet Technology Services Pte. Ltd.: Non-executive Director</li> <li>Gardens by the Bay: Non-executive Director</li> <li>NCS Communication Engineering Pte. Ltd.: Non-executive Director</li> <li>SCS Computer Systems Pte. Ltd.: Non-executive Director</li> <li>SCS MNP Pte. Ltd.: Non-executive Director</li> </ul> <p><u>Other commitments</u></p>

	<ul style="list-style-type: none"> <li>• NCS Pte. Ltd.: Chief Executive, Government Strategic Business Group</li> <li>• Singapore Computer Society: President</li> </ul>
<b>Edward Michael Flanders</b> <b>(Known as Ed Flanders)</b> <i>Non-executive Director</i>	<p>Ed 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.</p> <p>Ed has more than 30 years-experience with the HSBC Group and was appointed Head of Wholesale Credit Management and Chief Risk Officer Wholesale of HSBC UK Bank plc in January 2024, having previously held the role of interim Chief Risk Officer Wholesale and Markets and Securities Services, HSBC Bank plc. Ed joined HSBC in 1989, and worked for 20 years within the Wholesale businesses including debt capital raising and corporate and institutional banking roles within Global Banking and Markets before moving to the Risk function in 2009. Ed has spent a significant time in both Europe and Hong Kong as the Chief Credit Officer Wholesale for Europe and most recently the Chief Credit Officer Wholesale for Asia, returning back to London in the middle of 2023.</p> <p><u>Academic and professional achievements</u></p> <ul style="list-style-type: none"> <li>• Associate of Chartered Institute of Bankers</li> <li>• Bachelor of Arts, Politics and History, University of Durham</li> </ul> <p><u>Other commitments</u></p> <ul style="list-style-type: none"> <li>• HSBC UK Bank plc: Head of Wholesale Credit Management and Chief Risk Officer Wholesale</li> </ul>
<b>Colin William Bell</b> <b>(Known as Colin Bell)</b> <i>Non-executive Director</i>	<p>Colin was first appointed to the Board on 4 April 2023.</p> <p>Colin joined HSBC in July 2016 and was appointed Chief Executive Officer, HSBC Bank plc and HSBC Europe in February 2021, having previously held the role of Group Chief Compliance Officer. Colin worked at UBS as Global Head of Compliance and Operational Risk Control. He served for 16 years in the British Army, where he held a variety of command and staff positions, including operational tours of Iraq and Northern Ireland, and roles in the Ministry of Defence and NATO.</p> <p><u>Academic and professional achievements</u></p> <ul style="list-style-type: none"> <li>• Master of Arts, Defence Studies, King's College London</li> <li>• Master of Science, Defence Technology, Cranfield University</li> <li>• Bachelor of Science, Applied Physics and Electronics, Durham University</li> </ul> <p><u>Current directorships</u></p> <ul style="list-style-type: none"> <li>• Quantexa Ltd: Non-executive Director</li> <li>• HSBC Bank plc: Executive Director</li> </ul> <p><u>Other commitments</u></p> <ul style="list-style-type: none"> <li>• HSBC Bank plc: Chief Executive Officer</li> <li>• HSBC Holdings plc: Group Executive Committee member</li> </ul>
<b>Wong Kee Joo</b> <i>Executive Director</i>	<p>Kee Joo was first appointed to the Board on 1 June 2021 following his appointment as CEO.</p> <p>Kee Joo has more than 26 years of experience in the banking industry in Singapore, UK, China, Hong Kong and Thailand. He joined HSBC in 2004 and progressed his career in Global Payments and Cash Management. Prior to his appointment as the CEO, Kee Joo was HSBC's Regional Head of Global Payments and Cash Management for the Asia Pacific region. He holds several positions externally such as the Second Vice Chairman of the</p>

	<p>Association of Banks in Singapore, Advisory Board member of Singapore Green Finance Centre and Co-Chair of Singapore's Sustainable Finance Association.</p> <p><u>Academic and professional achievements</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Business Administration, National University of Singapore</li> </ul> <p><u>Other commitments</u></p> <ul style="list-style-type: none"> <li>• The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch: Chief Executive Officer and Authorised Representative</li> <li>• National Youth Achievement Award Singapore: Advisory Board Member; Chairman of Board of Trustees</li> <li>• Singapore Business Federation: Vice Chair of Internationalisation Action Committee</li> <li>• Singapore Sustainable Finance Association: Co-Chairman</li> <li>• MAS Payments Council: Council Member</li> <li>• The Association of Banks in Singapore: Second Vice Chair</li> <li>• Singapore Business Federation: Council member</li> <li>• Climate Governance Singapore Limited: Advisory Board member</li> <li>• The Institute of Banking and Finance: Council member</li> <li>• MAS Financial Centre Advisory Panel: Member</li> <li>• Singapore Green Finance Centre: Advisory Board Member</li> </ul>
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### 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) approving the overall strategy, risk appetite, capital and operating plans for the Bank's achievement of its strategic objectives;
- (iii) providing stewardship of the HSBC culture, conduct and behavioural standards that promote prudent risk-taking and fair treatment of customers;
- (iv) overseeing corporate culture and conduct;
- (v) overseeing Management's formulation of policies and processes to promote fair practices and high standards of business conduct;
- (vi) reviewing the appointments of directors and key executives, including the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), the Chief Risk and Compliance Officer ("CRCO"), Chief Operating Officer and Head of Internal Audit; and
- (vii) monitoring performance and management of operations in line with the strategy, risk appetite, business plans and budgets.

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

- (i) strategic objectives and plans, annual operating plan and risk appetite;
- (ii) significant change in accounting policies or practices and the financial resources plan;
- (iii) any acquisition, disposal investment, capital, legal or litigation expenditure, sponsorship or charitable donation or realisation or creation of a new venture with a value in excess of the specified delegated

amount; and

- (iv) full-year financial statements and the distribution of the Bank's profit.

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 or herself 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, pursuant to Regulation 39(1) of the CG Regulations, the Bank is exempted 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.

### **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, directors employed in the HSBC Group have access to training programmes for employees.

Training topics covered in 2023 included health, safety and wellbeing, risk management, cyber security, sustainability, anti-bribery and corruption, anti-money laundering, terrorist financing, sanctions, fraud, tax transparency, data literacy, workplace harassment and data privacy.

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 behavioural standards and on customer experience.

The Board evaluated and was satisfied that the regular updates and training were effective to equip them with the appropriate knowledge to discharge their responsibilities.

### **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 previous Board and board committee minutes are distributed to directors with the papers at every scheduled Board or board committee 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 independent directors are minuted 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 2023 and the attendance of directors at the meetings.

### 2023 Meetings and Attendance

	Board	AC	RC
<b>Number of meetings held</b>	6	4	5
<b>Number of meetings attended by director</b>			
Penny Goh	6/6	4/4	5/5
Colin Bell <sup>1</sup>	4/4	-	-
Ed Flanders	6/6	4/4	5/5
Karen Tay Koh	6/6	4/4	5/5
Sam Liew <sup>2</sup>	4/4	3/3	4/4
Winston Ngan	6/6	4/4	5/5
Wong Kee Joo	6/6	-	-

<sup>1</sup>Appointed to the Board on 4 April 2023

<sup>2</sup>Appointed to the Board on 4 April 2023

### 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 seven directors on the Board are female.

In assessing each director's independence, the Board considers the director's profile, disclosures of his/her other appointments, interests or personal circumstances. Annually, directors are required to provide self declaration in the form of questionnaires which are designed for assessing a director's independence based on the criteria in the CG Regulations and CG Guidelines and his/her fitness and propriety for office based on the MAS Guidelines on Fit and Proper Criteria.

There is a strong independent element on the current Board composition, 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 to page 11 set 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.

The Chair's responsibilities include providing leadership to the Board, overseeing the performance of the Board, leading the Board in the overall stewardship of the business, ensuring that directors receive accurate, timely, complete and clear information and setting the agenda of Board meetings.

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

The CEO 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.

## 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 CRCO.

The criteria applied by the Board in identifying and evaluating candidates for the Board 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; 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 conducts vetting checks which includes 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 2023 and up to the date of this report:

- (i) Colin Bell was appointed Non-independent Non-executive Director on 4 April 2023; and
- (ii) Sam Liew was appointed Independent Non-executive Director, member of the Audit Committee and member of the Risk Committee on 4 April 2023.

There were changes to the executives that held the following roles in 2023 and up to the date of this report: Head of Wealth and Personal Banking, Head of Internal Audit, Head of Human Resources, General Counsel, Chief Risk and Compliance Officer, Chief of Staff and Chief Financial Officer.

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

All directors were subject to re-election at the 2023 Annual General Meeting and were re-elected. 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, including each director's skills, knowledge and experience, (iii) each director's attendance, time commitment and contribution. Prior to re-election, 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 board 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 2024:

- (i) Penny Goh (Board Chair) 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) Colin Bell is currently the Chief Executive Officer of HSBC Bank plc and of HSBC Europe, and is employed by an HSBC company. Although he does not have any direct management relationship with the Bank, he is deemed non-independent, as he is a member of the Group Executive Committee of HSBC Holdings plc, the ultimate parent company of the Bank. He is deemed independent from business relationships with the Bank and its related corporations and officers. He is not independent from the Shareholder as he is connected to the ultimate parent company and he serves on the boards of other HSBC companies.
- (iii) Ed Flanders is currently the Head of Wholesale Credit Management and Chief Risk Officer Wholesale of HSBC UK Bank plc, and is employed by an HSBC company. In addition, Ed is responsible for HSBC Group's global credit risk coordination, management and credit approval working for the commercial real estate sector. Notwithstanding that Ed may have influence over the wholesale credit risk management policies and appetites of the Bank where these relate to the commercial real estate sector through the funded risk participation arrangement, Ed is deemed independent from management relationship with the Bank as he does not have management relationship with the Bank, he is not employed by the Bank and he is from the Risk function that is independent from the Bank's business. He is deemed independent from business relationships with the Bank and its related corporations and officers. He is not independent from the Shareholder as he is connected to the ultimate parent company.
- (iv) Karen Tay Koh is independent from business and management relationship 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.
- (v) Sam Liew 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.
- (vi) 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.

- (vii) Wong Kee Joo is an executive Director and CEO of the Bank. He is not considered independent from the Bank and the Shareholder.

With four independent directors, namely Penny Goh (Chair), Karen Tay Koh, Sam Liew and 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 seven days in advance of the meetings. Directors are also equipped with secure access to electronic Board and board 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 a 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.

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

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

The performance and pay framework is underpinned by HSBC Group's Remuneration Strategy and principles. Group refreshed the reward strategy and wider employee proposition centred on HSBC's 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 Group's aim is to use the framework to deliver an exceptional colleague experience – strengthening the ability to attract, retain and motivate the people we need in competitive labour markets, in the context of evolving employee expectations. During 2023 the Group had undertaken significant design work to review the 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 proposition beyond pay, aligned to the principles of HSBC's reward strategy, building on HSBC's strong benefits and well-being programme, including flexible working, and more inclusive and sustainable benefits.

Total Reward, consisting of fixed pay, variable pay, retirement plan and benefits, is the key focus of HSBC's 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 MRT policy has also been implemented for Senior Manager and Material Risk Personnel ("MRP") identified under the MAS Guidelines on Individual Accountability and 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.

Guaranteed minimum bonuses are only paid in exceptional circumstances for new hires and is limited to the individual's first year of employment only.

Please refer to the HSBC remuneration practices and governance at <http://www.hsbc.com/who-we-are/leadership-and-governance/remuneration> and the Pillar 3 Remuneration Disclosures in the Director's Remuneration Report section of the Annual Report and Accounts of HSBC Holdings plc for details of the major design characteristics of the remuneration strategy including alignment between risk and reward and any potential updates on the reward strategy and principles in 2024.

### **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 of the Bank. The remuneration for such directors is delivered in their capacity of employees of the HSBC Group and is decided in accordance with HSBC Group's remuneration policy.

### **Remuneration of Independent Non-Executive Directors**

The remuneration of independent non-executive directors takes into account responsibilities, effort and time spent and is in line with the HSBC Group's remuneration framework for independent directors:

<u>Role</u>	<u>Fees per annum</u>
Board Chair's fee	S\$135,000
Board member's fee	S\$85,000
Committee Chair's fee for Audit and Risk Committees	S\$53,000
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. Details of HSBC's all-employee share plans are available on HSBC website at this link: <https://www.hsbc.com/who-we-are/leadership-and-governance/remuneration>

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 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 CRCO 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 (“**GIA**”) function.

The Bank has a Head of Internal Audit (“**Head of GIA**”) 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 GIA, the budget of the internal audit function was approved by the Group Audit Committee. The estimated budget of the internal audit function allocable to the Bank was endorsed by the Audit Committee.

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 Singapore Internal Audit function (“**SG GIA**”) adopts the GIA 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 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 Head of SG GIA reports functionally to the Audit Committee Chair and to the Head of Global Internal Audit Asia Pacific (a GIA Executive Committee member) 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 Head of Global Internal Audit Asia Pacific and Global Business and Functions Audit Team Heads. 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 Bank's management and has appropriate standing within the Bank.

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 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 GIA or 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.

On a quarterly basis, the Head of GIA 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. 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 Ed Flanders (Chair), Karen Tay Koh, Penny Goh, Sam Liew and Winston Ngan. Sam was appointed to the Risk Committee as a member on 4 April 2023. 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 CRCO 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 Winston Ngan (Chair), Ed Flanders, Karen Tay Koh, Penny Goh and Sam Liew. Sam was appointed to the Audit Committee as a member on 4 April 2023.

All Audit Committee members are non-executive directors and a majority, including the Audit Committee Chair, are independent. Winston possesses an accounting qualification and was formerly a Partner of EY 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 2023. During 2023, 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 2023, 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 Bank's operations and finances.

(ii) Internal Audit:

On a quarterly basis, the Head of GIA 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 GIA, 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 on page 15 to page 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 2023. 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 2023 financial statements and includes (a) statutory audit fees of SGD493,000; and (b) non-audit services fees of SGD338,000 in relation to the year ended 31 December 2023 engagement.

The Audit Committee meets with the external auditors without the presence of Management at least once a year.

(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 confidentially and anonymously. Details for raising such concerns through the whistleblowing channel are set out in HSBC Group's public website and employees are informed of the whistleblowing policy and procedures for raising concerns. The Audit Committee reviews the whistleblowing policy annually and is satisfied that whistleblowing arrangements are in place for capturing and responding to whistleblowers' concerns in confidence, ensuring protection of the whistleblowers and whistleblowing matters are independently investigated and appropriately attended to. At each Audit Committee meeting, the Audit Committee is provided with management information on whistleblowing cases affecting the Bank.

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 2023, 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. 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)**

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 absentia 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 (Principle 13, CG Guidelines)**

The Bank maintains a corporate website which provides current information on the Bank. The Bank's website and the HSBC Group corporate website are used 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 2023.