

HSBC BANK MALAYSIA BERHAD (“the Bank”)

BOARD OF DIRECTORS **TERMS OF REFERENCE**

1. OBJECTIVE

The role of the Board is to provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is collectively responsible for the long-term success of the Bank and its subsidiaries and delivery of sustainable value to shareholders. It sets the strategy and risk appetite for the Bank and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set.

2. RESPONSIBILITIES OF THE BOARD

2.1 The Board has the ultimate responsibility for the operations and the financial soundness of the Bank. In discharging its responsibilities, it should take into account the legitimate interests of shareholders, depositors and other relevant stakeholders. The Board should play a leading role in establishing the Bank’s culture and behavioural standards that promote prudent risk-taking and fair treatment of customers. Directors should act bona fide in the interest of the Bank, and on an informed and prudent basis, in accordance with the applicable laws, regulations and supervisory standards.

2.2 The Board’s responsibilities include, but are not limited to:

- (i) setting and overseeing the objectives of the Bank and the strategies for achieving those objectives;
- (ii) overseeing and reviewing the implementation of the Bank’s governance framework and internal control framework;
- (iii) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer (“CEO”), control function heads and other members of the senior management;
- (iv) setting corporate culture, values and standards;
- (v) ensuring a suitable and transparent corporate structure within the Bank which reinforces ethical, prudent and professional behaviour;
- (vi) ensuring effective audit functions;
- (vii) ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Bank;
- (viii) promoting sustainability through appropriate environmental, social and governance considerations in the Bank’s business strategies;
- (ix) overseeing and approving the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;

- (x) promoting timely and effective communication between the Bank and Bank Negara Malaysia (“BNM”) on matters affecting or that may affect the safety and soundness of the Bank; and
- (xi) overseeing the implementation of Technology Risk Management Framework and Cyber Resilience Framework, policies and procedures.

2.3 In discharging its responsibilities, the Board shall, among other things, have regard to the Financial Services Act 2013, and the relevant BNM policies and guidelines for financial institutions as issued from time to time.

2.4 BNM requires the Board to ensure that there are governance strategies, policies and procedures appropriate to the structure, business and risks of the Bank. The Bank is a wholly-owned subsidiary within the HSBC Group, which has Group-wide corporate values and governance principles. Since the Board retains its own corporate governance responsibilities, it is ultimately responsible for the implementation and effectiveness of HSBC Group policies and practices applied to the Bank and the conduct and financial soundness of the Bank. BNM expects the Board’s primary responsibility to be to protect the interest of the Bank which it serves. As such, the Board should ensure that the decisions of the holding company are not detrimental to the Bank’s sound and prudent management, financial health or legal interests of the Bank’s stakeholders.

3. MATTERS RESERVED TO THE BOARD

3.1 In addition to items reserved to the Board by law and the Constitution, the following items specifically require Board approval:

- (i) strategic plans, operating plans, risk appetite and other initiatives which would, singularly or cumulatively, have a material impact on the Bank’s risk profile;
- (ii) the 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) remuneration policy of the Bank and the remuneration for each Director, member of senior management and other material risk takers;
- (v) the authority or the delegation of authority to approve credit, market risk limits, acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
- (vi) appointments or removals to the positions of Chairman, Director, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Corporation Secretary and other members of senior management; and
- (vii) 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.

3.2 The appointment of Chairman and Directors to the Board require the concurrence of Bank's immediate holding company, The Hongkong and Shanghai Banking Corporation Limited's Nomination Committee.

4. POWERS OF THE BOARD AND DELEGATIONS

4.1 The Board is responsible for managing the business of the Bank and, in doing so, may exercise all the powers of the Bank, subject to any relevant laws and regulations and to the Constitution.

4.2 The Board may delegate certain authorities to the CEO, Chief Risk Officer and other persons, with powers of sub-delegation.

4.3 The Board may by power of attorney, appoint any corporation, firm or person or body of persons to be the attorney or attorneys of the Bank and may delegate to any such person or persons any of its powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under the Bank's Constitution but including the power to sub-delegate) for such time and on such terms as it thinks fit.

5. BOARD COMMITTEES

5.1 The Board has established and approved terms of reference for the following Committees:

- (i) Audit Committee;
- (ii) Risk Committee; and
- (iii) Nominations and Remuneration Committee.

5.2 The Board approves appointments as members of these committees. The Committees interact with each other as appropriate to ensure consistency and compatibility in their actions and minimize any potential for gaps (e.g. information gaps) in risk management oversight. The Board shall ensure there is appropriate cross participation between the Committees. Each Committee maintains appropriate records of its deliberations and decisions and reports to the Board on its decisions and recommendations as appropriate.

5.3 In setting and overseeing corporate culture, the Board shall require that each of its Committees escalate and/or recommend to the Board as appropriate any issues or actions in relation to culture for the Board's consideration. The Risk Committee shall be responsible for advising and assisting the Board's review of the effectiveness of culture enhancement initiatives so as to assess culture and changes thereof over time. In particular the Risk Committee shall:

- (i) at least annually, review, assess and approve for recommendation to the Board for approval the adequacy of the relevant statement which sets out culture and behavioural standards;

- (ii) satisfy itself that the statement which sets out culture and behavioural standards is translated into policies and procedures, including, but not limited to, staff recruitment, training and incentive systems; and
- (iii) receive results from relevant assessment and feedback mechanisms for monitoring adherence to culture and behavioural standards.

5.4 The Board remains fully accountable for any authority delegated to the Board Committees.

5.5 The Board has also established an Executive Committee and a Connected Party Transactions Committee. The Executive Committee has the responsibility for the exercise of all the powers, authorities and discretions of the Board in so far as they concern the day-to-day management of the Bank and its subsidiaries in accordance with such policies and directions as the Board may from time to time determine. The Connected Party Transactions Committee is responsible for the approval of credit or derivative transactions involving connected party of the Bank.

6. COMPOSITION

6.1 The Board should have the appropriate balance of skills, experience, independence and knowledge of the Bank's operations to enable it to discharge its duties and responsibilities effectively.

6.2 The Board should be of sufficient size that the requirements of the business can be met and that changes to the Board's composition can be managed without undue disruption.

6.3 The Board should comprise a majority of independent non-executive Directors who have been determined by the Board to be independent in character and judgement, meaning that Directors are free from relationships or circumstances which are likely to affect their judgement or any relationships or circumstances which could appear to do so have been considered not to be material.

6.4 The Board collectively should have adequate knowledge and expertise relevant to each of the material business activities that the Bank pursues (or intends to pursue) and the associated risks in order to ensure effective governance and oversight. Directors shall commit sufficient time and effort and to contribute actively to the work of the Board in order to discharge their responsibilities. The Nominations and Remuneration Committee leads the process for Board appointments and for identifying and nominating candidates as Directors. As part of the appointment process, the Corporation Secretary will obtain confirmations from each prospective Director that he/she is able to commit sufficient time and effort to fulfill their responsibilities effectively.

6.5 The Board has determined that the Directors standing for re-election at each Annual General Meeting will be in accordance to the Constitution. In determining the re-election of Directors, the Board will review whether each Director remains qualified and satisfied the fit and proper requirements for

his/her post. Each non-executive Director shall be appointed for an initial three-year term subject to re-election by shareholders as appropriate.

6.6 It is expected that non-executive Directors will typically serve two three-year terms and subject to rigorous review, may serve an additional three year term at the invitation of the Board. Thereafter, a non-executive Director may serve further one-year term at the invitation of the Board. All appointments to the Board shall only take effect subject to the prior written approval of BNM is obtained.

6.7 The Bank is committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board considers that its diversity, including gender diversity, is a vital asset to the business.

6.8 The Board shall ensure appropriate plans for orderly succession in respect of appointments to the Board and to senior management.

7. ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

7.1 The role of the Chairman is to provide leadership to the Board and to be responsible for the overall effective functioning of the Board. The Chairman shall possess the requisite experience, competencies and personal qualities to fulfill these responsibilities. The Chairman shall be responsible for the oversight of implementation of Board approved strategies and direction. The Chairman shall ensure that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Bank. To this end, the Chairman shall, among other things:

- (i) set the agenda for board meetings and ensure that all Directors are given an opportunity to include matters on the agenda;
- (ii) ensure that Directors receive accurate, timely and clear information for Board meetings;
- (iii) encourage and promote open and critical discussion;
- (iv) ensure that any concerns and dissenting views are expressed and discussed within the decision making process;
- (v) encourage constructive relations and effective communication between the Board and management, and between the executive Directors and non-executive Directors;
- (vi) ensure that Directors, especially non-executive Directors, have access to independent professional advice at the Bank's expense where they judge it necessary to discharge their responsibilities; and
- (vii) lead efforts to address the Board's developmental needs.

7.2 The CEO shall be responsible for:

- (i) ensuring implementation of the strategy and policy as established by the Board;
- (ii) managing and day-to-day running of the Bank's operations; and

- (iii) leading and chairing the Executive Committee.

8. MEETINGS AND QUORUM

- 8.1 The Board shall meet frequently enough to fulfill its responsibilities effectively. Board meetings shall be held not less than once every quarter. Additional Board meetings, or meetings of a Committee of the Board established by the Board to consider specific items, are convened when necessary. Directors should make every effort to attend all Board meetings by way of physical presence especially where major issues are to be discussed.
- 8.2 The quorum for Board meetings shall be a minimum of three (3) Directors, or 50% of the total number of directors, whichever is higher. A Director must attend at least 75% of the Board meetings held in each financial year, and must not appoint another person to attend or participate in a Board meeting on his behalf.
- 8.3 When participating in meetings of the Board, executive Directors are expected to discharge their responsibilities as Directors of the Bank and not to act solely as the representative of the activity for which they bear executive responsibility.
- 8.4 Non-executive Directors bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives, and monitor the risk profile and the reporting of performance.

9. MINUTES, AGENDA AND PAPERS

- 9.1 Full minutes of all Board and Board Committee meetings should be kept. The minutes of Board Meeting should record in sufficient detail the matters considered, discussions on key deliberations, and decisions taken, including any concerns raised by Directors or dissenting views expressed. The minutes must indicate whether any Director abstained from voting or excused himself from deliberating on a particular matter.
- 9.2 The Corporation Secretary assists the Chairman in drafting an agenda for each meeting of the Board. Directors may propose any matters for inclusion in the agenda through the Chairman or the Corporation Secretary. Board papers and agenda are targeted for distribution to Directors at least one week before the date of the meeting. Similar arrangements are in place for Board Committees.
- 9.3 Copies of all Board, Executive Committee, Audit Committee, Risk Committee and Nominations and Remuneration Committee minutes are distributed to Directors with the papers for the subsequent Board meeting.

9.4 Copies of minutes and papers of Board and Board Committee meetings are available to Directors at all times via the Corporation Secretary.

10. TRAINING

10.1 The Board shall ensure sufficient time, budget and other resources are available to meet the training needs of individual Directors and of the Board collectively. In addition to presentations at Board meetings, non-executive Directors will be given the opportunity to undertake business awareness and other training and development activities. The Corporation Secretary will regularly distribute details of these activities. Executive Directors have access to the Bank's internal training resources and may request additional support as required from the Corporation Secretary.

10.2 An induction programme, tailored to individual needs, shall be arranged for each new Director by the Corporation Secretary.

11. BOARD PERFORMANCE EVALUATION

The Board shall undertake annual assessments of its effectiveness, effectiveness of the Board Committees and the contribution made by each individual Director to the effectiveness of the Board. The performance assessment shall include governance practices and procedures to determine any improvements that may be needed. The Corporation Secretary shall be responsible for facilitating the Board's annual performance evaluation. The Corporation Secretary shall maintain records and actions identified from the performance evaluation and keep the Board informed of progress with implementation.

12. INDEPENDENT ADVICE

Directors may appoint, employ or retain such professional advisors as they may consider appropriate. Any such appointment shall be made through the Corporation Secretary, who shall be responsible for the contractual arrangements and payment of fees by the Bank on behalf of the Board.

13. REVIEW OF TERMS OF REFERENCE

The Board shall review annually the Board's terms of reference and its own effectiveness.

14. INCONSISTENCY WITH THE CONSTITUTION

To the extent that there is any inconsistency between Board Terms of Reference and the Constitution, the Constitution will prevail.

HSBC BANK MALAYSIA BERHAD

AUDIT COMMITTEE **TERMS OF REFERENCE**

1. Purpose

The Board of HSBC Bank Malaysia Berhad (“HBMY”) (the “Company”) has delegated responsibility to the Audit Committee (the “Committee”) for matters relating to financial reporting and internal financial controls, in particular reviewing:

- 1.1 the integrity of the financial statements, Pillar 3 disclosures (where relevant), formal announcements, and disclosures relating to financial performance;
- 1.2 the effectiveness of Internal Audit and the external audit process; and
- 1.3 the effectiveness of internal financial control systems.

2. Membership

The Committee (including the Chair) shall comprise at least three members, all of whom shall be non-executive directors with a majority (including the Chair) being independent non-executive directors, or as otherwise required by local regulation.

The Chair of the Committee shall be appointed by the Board from among the independent non-executive directors.

Members of the Committee and the Chairman shall be appointed by the Board subject to endorsement by the holding company, The Hongkong and Shanghai Banking Corporation Limited (“HBAP”)’s Audit Committee.

At least one member of the Committee shall have recent and relevant financial experience. When appointing directors to the Committee, the Board shall have regard to the Committee collectively to have appropriately skills, experience and competence in relation to financial management relevant to the financial services sector.

3. Attendance

The Committee may invite any director, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities.

The Committee shall meet separately with the external auditor and with the head of Internal Audit at least twice each year without management present.

4. Meetings and quorum

The Committee shall meet with such frequency and at such times as it may determine, subject to regulatory requirements.

The quorum for meetings is a majority of the members, including the Chair (or his/her delegate from among the members).

5. Committee responsibilities

The Committee's responsibilities shall include:

5.1 Financial reporting

- 5.1.1 monitor and critically assess the integrity of the financial statements of the Company, Pillar 3 disclosures (if applicable), and any formal announcements and supplementary regulatory information relating to the Company's financial performance;
- 5.1.2 review, and consider changes to, significant accounting policies, including Pillar 3 disclosure policies and practices, as applicable, and support the Board in ensuring that there is a reliable and transparent financial reporting process within the Company;
- 5.1.3 review, and report to the Board on, significant accounting judgements and adjustments;
- 5.1.4 review going concern assumptions and any qualifications;
- 5.1.5 review, as applicable, compliance with accounting standards, listing rules, Pillar 3 disclosure requirements and other requirements relating to financial reporting;
- 5.1.6 review disclosure that describes the work of the Committee;
- 5.1.7 review comment letters from regulatory authorities;
- 5.1.8 review matters as advised by Internal Audit, any other function or the external auditor;
- 5.1.9 review any significant or unusual items that may need to be highlighted in the annual report, or its local equivalent, by the external auditor;
- 5.1.10 review the adequacy of resources and expertise as well as succession planning for the local Finance function;
- 5.1.11 advise the Board that the annual report and accounts, or equivalent, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position

and performance, business model and strategy, as applicable in the Company's jurisdiction;

- 5.1.12 report to the Board on the Company's compliance with all applicable corporate governance codes or standards in relation to financial reporting;
- 5.1.13 provide assurances to the Board regarding compliance by the Company with relevant regulations relating to financial reporting;
- 5.1.14 report alleged frauds or misrepresentation of assets to the Company's Risk Committee; and
- 5.1.15 review the accuracy and adequacy of the Chairman's statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

5.2 Internal audit

- 5.2.1 review and, if appropriate, approve the Internal Audit charter;
- 5.2.2 oversee the work of Internal Audit and approve the appointment and removal of the local and (where applicable) the Regional Head of Internal Audit;
- 5.2.3 monitor and assess the effectiveness, performance, resourcing, independence and standing of the local Internal Audit function. At a minimum, this must include:
 - (a) reviewing and approving the audit scope, procedures and frequency;
 - (b) reviewing key audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;
 - (c) noting significant disagreements between the chief internal auditor and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
 - (d) establishing a mechanism to assess the performance and effectiveness of the internal audit function.
- 5.2.4 consider major findings of internal investigations and management's response;
- 5.2.5 approve the local Internal Audit budget and annual work plan (including material plan changes during the year);
- 5.2.6 satisfy itself that the Internal Audit work plan is aligned to the key risks of the business;

- 5.2.7 satisfy itself there is appropriate co-ordination between Internal Audit and the external auditor;
- 5.2.8 to request that management inform other Board committees on (a) material issues arising from or (b) shortcomings perceived in the scope of adequacy of, the work of Internal Audit relating to matters falling within the scope of such committees and that feedback is received from them.

5.3 External audit

- 5.3.1 review the terms of appointment, re-appointment, or removal of the external auditor and approve their remuneration and terms of engagement, and make recommendations to the Board for approval by the Company's shareholder;
- 5.3.2 oversee the implementation by management of the HSBC Group policy on the engagement of the external auditor to supply non-audit services, taking into account relevant regulatory requirements;
- 5.3.3 approve in advance the supply of any non-audit services by the external auditor: (a) considering the impact this may have on independence, (b) taking into account the relevant regulations and ethical guidance in this regard, (c) agreeing the terms of engagement and (d) the fees for any such services; and report to the Board on any improvement or action required;
- 5.3.4 review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, considering relevant professional, regulatory and other requirements;
- 5.3.5 oversee the rotation of audit partners/ external auditors;
- 5.3.6 review the external auditor's report on the progress of the audit, its management letter, any material queries raised by the external auditor to management (and management's responses). Any material risk or internal control issues (other than issues relating to internal controls over financial reporting) shall be referred to the Risk Committee, as appropriate;
- 5.3.7 discuss with the external auditor the approach, nature, and scope of their audit and reporting obligations throughout the audit process including, as applicable:
- any significant accounting and auditing problems and reservations;
 - major judgemental areas;
 - alternative accounting treatments together with the potential ramifications;
 - any significant adjustments;
 - the going concern assumption and viability statement;
 - compliance with accounting standards, stock exchange rules and legal requirements;
 - reclassifications or proposed additional disclosures;

- any material changes in accounting policies and practices, any communications provided by the external auditor to management and other matters the external auditor wishes to discuss.

5.3.8 oversee the implementation by management of the HSBC Group policy for the engagement of former employees and contractors of the external auditor.

5.4 Internal controls

5.4.1 review the effectiveness of the Company's and its subsidiaries' internal financial controls (the systems established to identify, assess, manage and monitor financial risks);

5.4.2 consider any findings of major investigations of internal controls over financial reporting matters, management's response and the conclusions of any testing carried out by internal or external auditors;

5.4.3 review all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (including any annual report, and other reports as required by applicable laws and regulations, from the Company's Chief Executive and Chief Financial Officer (or equivalent) that such persons have disclosed to the Committee and to the external auditor) which could adversely affect the Company's ability to record and report financial data and any fraud, whether material or not, that involves management or other employees who have a significant role in the Company's internal financial controls;

5.4.4 review, and, if appropriate, endorse the content of the statement relating to internal financial controls in the annual report, or its equivalent, for submission to the Board.

5.4.5 review third-party opinions on the design and effectiveness of the Company's internal control framework.

5.5 Whistleblowing

5.5.1 (a) Oversee the local implementation of the Group's policies and procedures for capturing and responding to whistleblower concerns; (b) oversee the local implementation of the Group's procedures to ensure confidentiality, protection and fair treatment of whistleblowers; (c) routinely review reports arising from the operation of the whistleblowing policies and procedures; and (d) satisfy itself that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action;

5.5.2 annually review the operation and effectiveness of the arrangements by which staff may, in confidence, raise concerns.

6. Other responsibilities

6.1 Certificates and assurances (Escalation)

- (a) To provide half-yearly certificates to the audit committee of the entity with oversight responsibility of the Company (in a form that is consistent with that required by the Group Audit Committee); and
- (b) To take action, provide documentation or assurances as requested by the audit committee of the entity with oversight responsibility of the Company including: copies of minutes, periodic certifications, adopting best practice, being forthcoming in sharing information, and interacting with its Chair on a regular basis.

6.2 Annual review of terms of reference and committee effectiveness

The Committee shall review annually its terms of reference and its own effectiveness and recommend to the Board any necessary changes.

The Committee shall report to the Board and inform the Chair of the audit committee of the entity with oversight responsibility of the Company, how the Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

6.3 Material deviations from core terms of reference

Material deviations from the Group Core Terms of Reference require the endorsement from: (a) the Group Audit Committee (where the Company is a Principal Subsidiary) or (b) the audit committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).

Notwithstanding the paragraph above, any deviation from the Group Core Terms of Reference that is a consequence of statutory or regulatory requirements taking precedence over the Group Core Terms of Reference, needs to be notified to the Board of the Company and (a) the Group Audit Committee (where the Company is a Principal Subsidiary) or (b) the audit committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).

6.4 Responsibilities of subsidiary audit committees

The Committee shall (a) review the composition, powers, duties and responsibilities of any audit committee of the Company's subsidiaries, (b) oversee the implementation of mechanisms to facilitate the communication and escalation from such subsidiary company committees of matters for the Committee's attention including seeking documentation, certifications or assurances such as copies of minutes, periodic certifications, confirmation of adopting best practice, and other forms of sharing information, (c) foster interconnectivity and common governance principles, and (d) discuss such matters as the Committee deems appropriate with the chair or other members of such subsidiary committees.

6.5 Reporting to the Board

The Committee will report to the Board on the matters set out in these terms of reference and will provide the Board such additional assurance as it may reasonably require regarding the effectiveness of the Company's finance and audit functions.

6.6 External advisers

The Committee may retain special counsel, advisers, experts, or other consultants to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities. The Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Company and challenge its analysis and assessment. Any such appointment shall be made through the Company Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Company.

6.7 Overlapping responsibilities

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of any committee will be deemed by the Board to have been fulfilled, provided it is dealt with by any other committee.

6.8 The Committee shall review and update the Board on all related party transactions.

6.9 The Committee shall monitor compliance with the Board's conflict of interest policy.

6.10 Any resolution in writing, signed or assented to by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted and may consist of several documents in the like form each signed by one or more of the members of the Committee.

HSBC BANK MALAYSIA BERHAD

RISK COMMITTEE **TERMS OF REFERENCE**

1. Purpose

The Board of HSBC Bank Malaysia Berhad ("HBMY") (the 'Company') has delegated to the Risk Committee (the 'Committee') oversight of risk-related matters impacting the Company and its subsidiaries, including risk governance and internal control systems (other than internal controls over financial reporting).

2. Membership

The Committee (including the Chair) shall comprise at least three members, all of whom shall be non-executive directors with a majority (including the Chair) being independent non-executive directors, or as otherwise required by local regulation.

The Chair of the Committee shall be appointed by the Board from among the independent non-executive directors.

Members of the Committee and the Chairman shall be appointed by the Board subject to endorsement by the holding company, The Hongkong and Shanghai Banking Corporation ("HBAP")'s Risk Committee with oversight responsibility over the Company.

3. Attendance

The Committee may invite any director, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities.

The Committee shall meet separately with the external auditor, the head of Internal Audit and with the Chief Risk Officer ('CRO') at least twice each year without management present.

4. Meetings and quorum

The Committee shall meet with such frequency and at such times as it may determine, subject to regulatory requirements. It is expected that the Committee shall meet at least four (4) times each year.

The quorum for meetings is a majority of the members, including the Chair (or his/her delegate from among the members).

5. Committee responsibilities

The Committee's responsibilities shall include:

5.1 Risk-related matters

5.1.1 To oversee and advise the Board on risk-related matters, including both financial and non-financial risks, and to support the Board in meeting the expectations on risk management as set out in the Bank Negara Malaysia policy document on Risk Governance.

5.1.2 To review and provide independent challenge on risk management reports, including the Company's enterprise risk reports to:

- a) Assess the risk profile of the Company and how the risks arising from the Company's businesses are controlled, monitored and mitigated;
- b) Focus on current and forward-looking risks to enable the Committee to assess the Company's vulnerability and resiliency to potential risks;
- c) Review the effectiveness of the Company's conduct framework designed to deliver fair outcomes for customers, preserve the orderly and transparent operation of financial markets, and protect the Company against adverse outcomes (including reputational damage) to the Company's financial and non-financial condition and prospects; and
- d) Provide such additional assurance as the Board may require regarding the reliability of risk information submitted to it.

5.2 Risk appetite

5.2.1 To satisfy itself that risk appetite informs the Company's strategy and business plans and that account has been taken of the macroeconomic and financial environment, drawing on financial stability assessments and other authoritative sources that may be relevant;

5.2.2 To advise the Board on risk appetite and risk tolerance related matters;

5.2.3 To review and recommend the Company's Risk Appetite Statement at least annually to the Board for approval;

5.2.4 To receive reports where appropriate, to satisfy itself that the Company's approach to the determination of its risk appetite is in line with regulatory requirements;

5.2.5 As applicable, to review and recommend the Company's Internal Capital Adequacy Assessment Process ('ICAAP') to the Board for approval, and following that approval, to escalate any material issues relating to the capital component of the ICAAP to the risk committee of the subsidiary/ entity which has oversight;

- 5.2.6 As applicable, to review and recommend the Company's Internal Liquidity Adequacy Assessment Process ('ILAAP') to the Board for approval, and following that approval, to escalate any material issues raised during the Committee's ILAAP review, to the risk committee of the subsidiary/ entity which has oversight;
- 5.2.7 To consider and advise the Board on the risks associated with proposed strategic acquisitions/disposals, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Company;
- 5.2.8 Upon the request of the Board or other committee that oversees remuneration matters, to advise on alignment of remuneration with risk appetite. In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Nominations and Remuneration Committee;
- 5.2.9 To consider and advise the Board on the effectiveness of management's policies for addressing risks relating to cyber security and information security;
- 5.2.10 To review and advise the Board on the effectiveness of management's policies for addressing risks relating to the Company's IT and operational resilience programmes; and
- 5.2.11 To provide a forward-looking perspective to the Board on financial crime risk, including oversight of matters relating to:
- a) Financial crime risk and financial system abuse, including anti-money laundering, sanctions, terrorist financing and proliferation financing;
 - b) Controls relating to anti-bribery and corruption; and
 - c) Where the Company may become exposed to financial crime and systems abuse.

5.3 Stress testing

- 5.3.1 To review and satisfy itself that the stress test design is consistent with the bank's risk appetite and appropriate with the overall business strategy and to review and approve or recommend for Board's approval, the policies and procedures governing the stress test programme and commissioning the regular independent reviews of the programme;
- 5.3.2 To review and challenge the scenario(s), key assumptions and methodologies used in the stress tests;
- 5.3.3 To review and challenge the results and supporting information including

the identified management actions, and consider the implication of the results on the bank's risk appetite, capital and liquidity planning and strategic business decisions; and

- 5.3.4 To review and approve, or recommend for Board approval, the Company's final stress testing submissions to regulatory authorities.

5.4 Enterprise risk management framework and internal control systems

- 5.4.1 To annually review the Company's enterprise risk management framework and satisfy itself that it is operating effectively;
- 5.4.2 To review the effectiveness of internal control systems (other than internal controls over financial reporting); and
- 5.4.3 To review how effectively management is embedding and maintaining an effective risk management culture and a strong internal control environment designed to foster compliance with HSBC Group and Company policies and regulatory compliance requirements.

In carrying out its oversight role, the Committee will consider any material findings from regulators relating to risk governance, conduct of business, risk assessment or management processes.

5.5 Regulatory Compliance

- 5.5.1 To approve the annual plan for the Regulatory Compliance function and receive regular reports on progress against the plan and other matters relating to regulatory compliance risk and the Company's relationship with its regulators.

5.6 Chief Risk Officer and Risk Management Function

- 5.6.1 To monitor the effectiveness and independence (from the business) of the CRO and to review the composition and effectiveness of the risk management function including that it is of sufficient stature, independent of the business and adequately resourced;
- 5.6.2 To recommend to the Board the appointment or removal of the CRO; and
- 5.6.3 To review the annual plan for the Risk function and receive regular reports on progress against the plan.

5.7 Internal Audit

- 5.7.1 To review reports from Internal Audit that provide assurance on the adequacy of internal control processes; and
- 5.7.2 To request that management inform other Board committees (as applicable) on

- (a) material issues arising from or
- (b) shortcomings perceived in the scope or adequacy of, the work of Internal Audit relating to matters falling within the scope of such committees.

5.8 External Audit

- 5.8.1 To review any issue raised by the external auditor in respect of (a) the audit of the Company's annual report and accounts (and management's response), or local equivalent, which relates to the management of risk or internal control systems (other than internal controls over financial reporting), or (b) in connection with the external auditor's observations of the Company's (i) regulatory standing and compliance or (ii) general competitive standing.

5.9 Annual Report and Accounts (or local equivalent)

- 5.9.1 Where applicable, to review and endorse the content of the risk committee report, risk disclosures or statements contained in the annual financial statements, or local equivalent, relating to internal controls (other than internal controls over financial reporting), including the assessment of principal risks facing the Company.

6. Other responsibilities

6.1 Certificates and Assurances (Escalation)

Where the Company is not a Principal Subsidiary:

- (a) To provide half-yearly certificates to the Group Risk Committee (in the form required by the Group Risk Committee); and
- (b) To take action, provide documentation or assurances as requested by the Group Risk Committee including: copies of minutes, periodic certifications, adopting best practice, being forthcoming in sharing information, and interacting with the Group Risk Committee and/or its Chair on a regular basis.

6.2 Annual review of terms of reference and committee effectiveness

The Committee shall review annually its terms of reference and its own effectiveness and recommend to the Board any necessary changes.

The Committee shall report to the Board and inform the Chair of the risk committee of the entity with oversight responsibility of the Company, how the Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

6.3 Material deviations from core terms of reference

Material deviations from the Group Core Terms of Reference require the endorsement from: (a) the Group Risk Committee (where the Company is a Principal Subsidiary) or (b) the risk committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).

Notwithstanding the paragraph above, any deviation from the Group Core Terms of Reference that is a consequence of statutory or regulatory requirements taking precedence over the Group Core Terms of Reference, needs to be notified to the Board of the Company and (a) the Group Risk Committee (where the Company is a Principal Subsidiary) or (b) the risk committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).

6.4 Responsibilities of subsidiary risk committees

The Committee shall (a) review the composition, powers, duties and responsibilities of any risk committee of the Company's subsidiaries, (b) oversee the implementation of mechanisms to facilitate the communication and escalation from such subsidiary company committees of matters for the Committee's attention including seeking documentation, certifications or assurances such as copies of minutes, periodic certifications, confirmation of adopting best practice, and other forms of sharing information, (c) foster interconnectivity and common governance principles, and (d) discuss such matters as the Committee deems appropriate with the chair or other members of such subsidiary committees.

6.5 Reporting to the Board

The Committee will report to the Board on the matters set out in these terms of reference and will provide the Board such additional assurance as it may reasonably require regarding the effectiveness of the Company's risk management functions.

6.6 External advisers

The Committee may retain special counsel, advisers, experts, or other consultants to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities. The Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Company and challenge its analysis and assessment. Any such appointment shall be made through the Company Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Company.

6.7 Overlapping responsibilities

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of any committee will be deemed by the Board to have been fulfilled, provided it is dealt with by any other committee.

6.8 Any resolution in writing, signed or assented to by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted and may consist of several documents in the like form each signed by one or more of the members of the Committee.

HSBC BANK MALAYSIA BERHAD

NOMINATIONS AND REMUNERATION COMMITTEE **TERMS OF REFERENCE**

1. PURPOSE

The Board of HSBC Bank Malaysia Berhad (“the Bank”) has delegated responsibility to the Nominations and Remuneration Committee for the oversight of the following:

- (i) leading the process for Board appointments and for identifying and nominating for the approval of the Board, candidates for appointment to the Board. Appointments to the Board are subject to advance endorsement of The Hongkong and Shanghai Banking Corporation Limited (“HBAP”) Nomination Committee, approval from the Bank’s Board and the approval of Bank Negara Malaysia (“BNM”).
- (ii) supporting the Board in carrying out its functions concerning senior management appointments and removals.
- (iii) reviewing whether HSBC’s Group remuneration policy, as approved by the Group Remuneration Committee and the shareholders of HSBC Holdings plc in general meetings, complies with all relevant local regulations and is appropriate to attract, retain and motivate directors and senior management of the quality required to run the Bank successfully.

2. MEMBERSHIP

The Committee shall comprise not less than three (3) independent non-executive directors.

The Chairman of the Committee shall be an independent non-executive director.

The Chairman and members of the Committee shall be appointed by the Board of the Bank (the ‘Board’) subject to advance endorsement from HBAP Remuneration Committee.

3. ATTENDANCE

Only Committee members have the right to attend committee meetings.

The Committee may invite any director, executive or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective.

4. MEETINGS AND QUORUM

The Committee shall meet with such frequency and at such times as it may determine. It is expected that the Committee shall meet at least twice each year.

The quorum for meetings shall be two (2) independent non-executive directors.

5. Responsibilities of the Committee

Without limiting the generality of the Committee's purpose, the Committee shall have the following responsibilities, powers, authorities and discretion.

5.1 Key responsibilities in relation to Nominations

1. The Committee shall make recommendations to the Board concerning:
 - 1.1 the appointment and reappointment by the Board of both executive directors and non-executive directors;
 - 1.2 suitable candidate for the role of chairman of the Board;
 - 1.3 the re-election by shareholders of directors retiring by rotation;
 - 1.4 membership of Board Committees; and
 - 1.5 the appointment and reappointment of Chief Executive Officer ("CEO") and other key senior officers.
2. The Committee shall:
 - 2.1 regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board and make recommendations to the Board with regard to any changes;
 - 2.2 give full consideration to succession planning for directors in the course of its work, taking into account the challenges and opportunities facing the Bank, and what skills and expertise are therefore needed on the Board in the future;
 - 2.3 before recommending an appointment, evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - 2.3.1 use such method or methods to facilitate the search as it may deem appropriate;

- 2.3.2 consider candidates from a wide range of backgrounds;
 - 2.3.3 consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position; and
 - 2.3.4 have due regard for the benefits of diversity on the board, including gender;
 - 2.3.5 assess the candidate to determine that he/she is not disqualified under the Financial Services Act 2013 and meets Bank Negara Malaysia (“BNM”) requirements, including the fit and proper requirements in regard to board appointments; and
 - 2.3.6 take into account any supervisory concerns that may be highlighted by BNM that require specific expertise on the board;
- 2.4 review annually the time commitment required from non-executive directors, taking into account the findings of performance evaluations;
 - 2.5 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them;
 - 2.6 ensure that the directors, CEO, Corporation Secretary or other key senior officers are not disqualified under the Financial Services Act 2013 and that they continue to comply with BNM requirements, including the fit and proper requirements;
 - 2.7 carry out annual board evaluations to objectively assess the performance and effectiveness of the board, board committees and individual directors;
 - 2.8 review and monitor the training and development of directors; and
 - 2.9 oversee the appointment, succession planning and performance evaluation of senior management.

5.2 Key responsibilities in relation to Remuneration

1. The Committee is to consider remuneration matters for the Bank and its subsidiaries (if any) in the context of the Group’s remuneration policy and to provide advice to the Board and the Group Remuneration Committee on the remuneration policy and structure relevant to the Bank based on the regulatory context and market conditions.

The Committee is to support the Board in actively overseeing the design and operation of the Bank’s remuneration system.

2. The Committee is to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and to consider the relevant issues, if any, that were taken into account by the Group Remuneration Committee in agreeing remuneration funding and proposals relevant to the Bank so as to complete the annual pay review process of the Bank;
3. The non-executive directors may require a separate briefing on the remuneration of specific individuals of the Bank and provide their input as appropriate;
4. The Committee is to discuss any significant concerns with the Board for escalation, if appropriate, to the Group Remuneration Committee;
5. The Committee is to undertake on behalf of the Chairman of the Bank or the Board such other related tasks as the Chairman of the Bank or the Board may from time to time entrust to it;
6. The Committee is to periodically review the remuneration of directors on the board, particularly on whether remuneration remains appropriate to each director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.
7. The Committee is:
 - 7.1 to propose the fees for directors for approval by the Board and the shareholders, and the Group and/or regional remuneration committee(s), if required; and
 - 7.2 to propose the remuneration for each member of senior management and other material risk taker for approval by the Board.
8. In respect of regulatory, risk and audit, the Committee is:
 - 8.1 to review any matters relating to remuneration that need to be reported to shareholders and regulators, and assessing that there are effective safeguards in place to ensure that remuneration policies are clearly aligned with the Bank's risk appetite and the regulatory and other legislative requirements that the Bank is required to comply with. This includes the review and approval of:

- (i) the content of the Remuneration Report (if any) in the annual report and accounts for submission to the Board as a whole; and
- (ii) any statement required by the Bank's regulators from the Committee on the Bank's remuneration policy.

8.2 to seek confirmation from the Bank's Risk Committee or Chief Risk Officer, as appropriate, that risk appetite was aligned with performance objectives set in the context of incentive packages and that any relevant adjustments for risk were applied when considering performance objectives or actual performance. In the event of any difference of view, appropriate risk adjustments should be proposed by the Chairman of the Bank on behalf of the Board to the Group Remuneration Committee for further consideration.

6. Operation of the Committee

- 6.1 The Committee shall, other than in the exercise of discretion by the Committee based upon the framework previously agreed by the Group Remuneration Committee and endorsed by shareholders, report, without delay, to the Group Remuneration Committee any significant breach of law or regulations or any breach of the Group's remuneration policy that has been brought to the attention of the Committee, and to provide such certification as may be required by the Group Remuneration Committee.
- 6.2 The Committee may appoint, employ or retain such professional advisers as the Committee may consider appropriate. Any such appointment shall be made through the Secretary to the Committee, who shall be responsible for the contractual arrangements and payment of fees by the Bank on behalf of the Committee.
- 6.3 Any resolution in writing, signed or assented to by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in the like form each signed by one or more members of the Committee.
- 6.4 The Committee shall review annually the Committee's terms of reference and its own effectiveness and recommend any necessary changes for approval of the Board and in the case of any material deviation from the core terms of reference for subsidiary remuneration committees, approval of the Group Remuneration Committee.