

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 actively be engaging and overseeing the affairs of the Bank and cognisant of material changes in the Bank’s business and the external environment in which the Bank operates. Decisions of the Board should be taken in a timely manner, having regard to the legitimate interests of shareholders, depositors and other relevant stakeholders. The Board should play a leading role in establishing and overseeing 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 key responsibilities of the Board include:

- (i) setting and overseeing the objectives of the Bank and the strategies for achieving those objectives;
- (ii) establishing and overseeing risk governance;
- (iii) appointment and oversight of senior management;
- (iv) setting corporate culture, values and standards;
- (v) overseeing remuneration policy;
- (vi) ensuring a suitable and transparent corporate structure as well as an appropriate degree of transparency in respect of the operation and risk management of the Bank;
- (vii) ensuring effective audit functions;
- (viii) promoting and overseeing sustainability through appropriate Environmental, Social and Governance (“ESG”) 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 regulators 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 Bank Negara Malaysia (“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 HSBC Group-wide strategic objectives, risk governance arrangements, 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 at the Group level 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, financial resource plans, risk governance structure, risk appetite framework and statement, climate strategy for HSBC Malaysia, climate-related risk strategies, performance targets and other initiatives which would, singularly or cumulatively, have a material impact on the Bank’s risk profile;
 - (ii) procedures and policies for monitoring and controlling relevant operations as identified by the Directors and management from time to time ;
 - (iii) the recovery plan of the Bank, including any material updates or changes made from time to time;
 - (iv) remuneration policy of the Bank and the recommendation of the remuneration for each Non-Executive Director, member of senior management and other material risk takers;
 - (v) the authority or the delegation of authority to approve credit, market risk limits, acquisitions, disposals, investments, capital expenditure or realisation or creation of a new venture;
 - (vi) appointments/reappointment or removals to the positions of Chairman, Director, Chief Executive Officer (“CEO”), Chief Financial Officer, Chief Risk Officer / Chief Risk and Compliance Officer, Chief Operating Officer, Company Secretary and other members of senior management;
 - (vii) appointment, resignation or dismissal of the Head of Internal Audit;

- (viii) any substantial change in the policies for the management of capital and liquidity adequacy, and approval of the annual Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process; and
- (ix) the Directors' Conflicts of Interest Policy.

In addition, the Board has responsibilities for:

- (i) the oversight of large-scale change and transformation programmes; and
- (ii) the escalation and cascade of key information and decisions to its holding company and subsidiary respectively, as appropriate.

3.2 The appointment of Chairman and Directors to the Board require the concurrence of the 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 members of management.

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/parties of the Bank.

6. COMPOSITION

- 6.1 The Board size should be large enough to address the needs of the business in terms of skills and experience (including Committee memberships) but small enough to allow all Directors to participate in meetings.
- 6.2 The Board should comprise a majority of Independent Non-Executive Directors at all times who have been determined by the Board to be independent in character and judgement, and 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.
- 6.3 The key characteristic of independence is the ability to exercise objective, independent judgement after fair consideration of all relevant information and views, without undue influence from Executives or from external parties. An Independent Non-Executive Director does not perform any Executive functions within the Bank and is not under any other undue influence, internal or external, political or arising through the incidents of ownership or otherwise, that would impede his/her exercise of independent and objective judgement.

- 6.4 The Board should possess, both as individual Directors and collectively, appropriate experience, diversity, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. 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. When presenting a proposed appointment as a Director to the Board, the Nominations Committee will include a description of the necessary competencies and skills required to ensure sufficient expertise of the Board.
- 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 Non-Executive Directors are expected to serve no more than two three-year terms with any extension beyond this requiring endorsement from HSBC Holdings plc. Non-Executive Directors should not serve on the Board beyond nine years from the date of their first appointment to HSBC Holdings plc or other subsidiaries. Any exception will require prior endorsement by HSBC Holdings plc. 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, SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR 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;
- (vii) lead efforts to address the Board's developmental needs; and
- (viii) dedicate sufficient time to the exercise of his/her responsibilities.

7.2 The Senior Independent Non-Executive Director ("SINED") shall be responsible for:

- (i) providing focused oversight over the Bank's management of fraud and data breach incidents, coordination with the National Scam Response Centre ("NSRC"), as well as the communication strategy of the Bank with its customers, affected victims and the public. This includes taking measures to improve complaints handling and customer outcomes, and the development of appropriate awareness and educational programmes, in coordination with other financial institutions, agencies and relevant parties.
- (ii) working with management to ensure sufficient resources are deployed and appropriate policies and procedures are in place to receive, investigate and quickly resolve reported incidents. This includes providing prompt and effective assistance to any affected or concerned customers.

Management must ensure that significant impediments and challenges are promptly escalated to the Board via the SINED for deliberation and decision-making. The SINED will also coordinate with the relevant Board Committees.

7.3 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 and Board Committee meetings in person especially where major issues are to be discussed and should only miss meetings in exceptional circumstances with reasons being provided and documented.
- 8.2 Video or telephone conference facilities are available in case a Director is unable to attend a meeting in person. Independent Non-Executive Directors who are unable to attend a meeting via any means will be reminded by the Secretariat that they should submit written views on items to be discussed ahead of any meeting.
- 8.3 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.
- 8.4 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.
- 8.5 Non-Executive Directors who should equip themselves with knowledge of the Bank's business and the banking sector, 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 Company 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 Company 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 Company 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.
- 10.2 An induction programme, tailored to individual needs, shall be arranged for each new Director by the Company Secretary.
- 10.3 The Board should regularly evaluate the effectiveness of training provided to individual members of the Board and the Board as a whole.

11. BOARD PERFORMANCE EVALUATION

- 11.1 The Board shall undertake annual assessments of its effectiveness (including that of its Committees) and the ongoing suitability of each individual Director.

The performance assessment shall include governance practices and procedures to determine any improvements that may be needed. The Company Secretary shall be responsible for facilitating the Board's annual performance evaluation. The Company 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 Company 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.

(Board's approval on 1 November 2024)

HSBC BANK MALAYSIA BERHAD (“HBMY”)

AUDIT COMMITTEE **TERMS OF REFERENCE**

1. Purpose

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

- 1.1 the integrity of the financial statements, 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 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.

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 appropriate skills, experience and competence in relation to financial management relevant to the financial services sector.

3. Attendance

Only members have the right to attend Committee meetings. 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, or equivalent, at least twice each year without management present.

4. Meetings and quorum

The Committee shall meet with sufficient notice and 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 their delegate from among the members).

The Secretary of the Committee is the Company Secretary (or their nominee).

5. Areas of responsibility

The Committee's responsibilities shall include:

5.1 Financial reporting and planning

- 5.1.1 monitor and critically assess the integrity of the financial statements of the Company, 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 and disclosure practices, as applicable;
- 5.1.3 review, and report to the Board on, significant accounting judgements and adjustments;
- 5.1.4 consider the effectiveness of model risk management for financial reporting;
- 5.1.5 review going concern assumptions and any qualifications and provide confirmation to the Board of the Company's profitability;
- 5.1.6 review compliance with applicable accounting standards, corporate governance codes or standards and other requirements relating to financial reporting, and report and provide assurances to the Board on the Company's compliance;
- 5.1.7 review disclosure that describes the work of the Committee and areas of special interest;
- 5.1.8 review the annual financial resource plan, including annual budget, capital expenditure and business plans;
- 5.1.9 review matters as advised by Internal Audit, any other function or the external auditor;
- 5.1.10 review any significant or unusual items that may need to be highlighted in the annual financial statements, or its local equivalent, by the external auditor;
- 5.1.11 advise the Board whether the annual financial statements or equivalent, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, as applicable in the Company's jurisdiction; and
- 5.1.12 review comment letters from audit regulatory authorities relevant to the

scope of the Committee's responsibilities and activities.

5.2 Internal Audit

- 5.2.1 review and, if appropriate, approve the Internal Audit charter annually;
- 5.2.2 oversee the work of Internal Audit and approve the appointment and removal of the Head of Internal Audit;
- 5.2.3 monitor and assess the effectiveness, performance, resourcing, independence and standing of the Company's Internal Audit team;
- 5.2.4 consider significant 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 annual work plan is aligned to the key risks of the business and includes evaluation of the effectiveness of the local Finance function;
- 5.2.7 satisfy itself there is appropriate co-ordination between Internal Audit and the external auditor; and
- 5.2.8 to request that management inform other Board committees 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 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 quality and effectiveness of the audit, considering relevant professional, regulatory and other requirements;

- 5.3.5 oversee the rotation of the Company's lead audit partners and 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 issues 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 accounting adjustments;
 - the going concern assumptions 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 and
- 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 controls, with input from the Board [and relevant Board Committees on controls relevant to their respective responsibilities], including (i) how effectively management is embedding and maintaining a strong internal control environment, and (ii) [(together with the Risk Committee where appropriate)] actions to remediate controls which are identified as not operating effectively;
- 5.4.2 oversee the outputs from monitoring and assurance activities over the Company's internal controls, including areas for enhancement;
- 5.4.3 consider any findings of major investigations of internal controls, management's response and the conclusions of any testing carried out by the business line, risk function or the internal or external auditors;
- 5.4.4 review all significant deficiencies and material weaknesses in the design or operation of internal controls and associated remediation plans. Additionally, review other material control deficiencies in the broader control environment which are identified by management, Internal Audit or the external auditors and;

- 5.4.5 review and recommend for approval by the Board all internal control-related disclosures within the annual report and other reports required by applicable laws and regulation.

5.5 Whistleblowing

- 5.5.1 oversee and annually review the local operation and effectiveness of the Group's policies and procedures for capturing and responding to whistleblower concerns and oversee the local implementation of the Group's procedures to ensure confidentiality, protection and fair treatment of whistleblowers; and
- 5.5.2 review reports setting out local cases, the key themes and trends, and actions taken to address these.

6. Operation of the Committee

6.1 Escalations

The Committee shall escalate any matters that may have a material impact on the Company or the Group, to the Chair of The Hongkong and Shanghai Banking Corporation Limited ("HBAP") Audit Committee or the HBAP Risk Committee respectively. *Refer to the Subsidiary Accountability Framework for guidance on escalations.*

6.2 [Reporting and half-yearly certificates]

The Committee:

- (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.]

6.3 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.

7. Material deviations from Core Terms of Reference

Material deviations from the Group Core Terms of Reference require the endorsement from (for any other Group company that is not a Principal Subsidiary) the Board or relevant committee of the entity with oversight responsibility of the Company, as and when a material deviation occurs.

- 8.** The Committee shall review and update the Board on all related party transactions.
- 9.** The Committee shall monitor compliance with the Board's conflict of interest policy.
- 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 ("HBMY")

RISK COMMITTEE **TERMS OF REFERENCE**

1. Purpose

The Board of HSBC Bank Malaysia Berhad ("HBMY") (the 'Company') has delegated responsibility to the Risk Committee (the 'Committee') for the oversight of risk-related matters and the enterprise risks impacting the Company and its subsidiaries, and risk governance

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.

3. Attendance

Only members have the right to attend Committee meetings. Any other person can attend, by invitation of the Chair for the whole or part of the meeting. The Committee shall meet separately with the external auditor, the Head of Internal Audit, or equivalent and with the Chief Risk and Compliance Officer ('CRCO'), or equivalent at least twice each year without management present.

4. Meetings and quorum

The Chair shall ensure that the Committee meets with sufficient notice and frequency.

The quorum for meetings is two members, including the Chair or their delegate from among the members.

The Secretary of the Committee is the Company Secretary (or their nominee).

5. Areas of responsibility

The Committee's responsibilities shall include:

5.1 Risk-related matters

- 5.1.1 To oversee and advise the Board on risk-related matters, comprising both financial (including capital & liquidity, retail and wholesale credit risk, strategic risk, and market risk) and non-financial risks [including resilience risk (incorporating information technology, cyber security and third party

risk), ESG risk (incorporating climate risk), financial crime and fraud risk, regulatory compliance risk, people risk, legal risk, model risk, and financial reporting and tax risk], 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:

- enable the Committee to assess the risk profile of the Company and how the risks arising from the Company's businesses are controlled, monitored and mitigated by management;
- provide clear focus on current and forward-looking risks to enable the Committee to assess the Company's vulnerability and resiliency to potential risks;
- 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;
- enable the Committee to provide additional assurance as the Board may require regarding the reliability of risk information submitted to it; and
- enable the Committee to assess the Company's framework of controls and procedures designed to identify areas where HSBC may become exposed, and through that exposure the financial system more broadly may be exposed, to financial crime or system abuse.

5.2 Risk appetite

5.2.1 To satisfy itself that risk appetite informs all aspect of the Company's strategy (including technology strategy and climate strategy).

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 Framework, on an annual basis, to the Board for approval.

5.2.4 To review and recommend the Company's Risk Appetite Statement on an annual basis to the Board for approval.

5.2.5 To receive reports and draw independent external advice, where appropriate, to satisfy itself that the Company's approach to the determination of its risk appetite is in line with regulatory requirements.

5.2.6 To review and recommend material regulatory submissions to the Board for approval, including the Internal Capital Adequacy Assessment Process and

the Internal Liquidity Adequacy Assessment Process, satisfying itself with regards to the completeness of the submissions and their consistency with the principles of the Company's Risk Appetite.

- 5.2.7 To consider and, if appropriate, advise the Board on the risks associated with proposed material acquisitions/disposals, focusing in particular on the resulting implications for the risk appetite and tolerance of the Company.
- 5.2.8 To review and advise the Board on the effective management of risks relating to the Company's Operational and IT Resilience, including risks relating to the execution of the technology aspects of the approved Group or Company strategy, cyber security and serious, large scale, organised crime relating to information security.
- 5.2.9 To review and advise the Board and/or the Remuneration Committee on alignment of remuneration with risk appetite and conduct. 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.

5.3 Stress testing

- 5.3.1 To review and satisfy itself that the Company's stress testing framework, governance and related internal controls are robust.
- 5.3.2 To review, challenge and where appropriate approve the key assumptions, vulnerabilities and scenario themes identified and expanded metrics to be used in both internal and regulatory Company-wide stress tests and regulatory submissions.
- 5.3.3 To consider the implication of the results on the bank's risk appetite, capital and liquidity planning and strategic business decisions.
- 5.3.4 To review and approve, or recommend for Board approval, the final Company-wide internal and regulatory Stress Tests, including submissions to the [Prudential Regulatory Authority, the Bank of England, the European Banking Authority] or any other regulatory authority.

5.4 Enterprise risk management framework and internal control systems

- 5.4.1 To review the Company's risk management framework annually and consider a report from Internal Audit that it is operating effectively.
- 5.4.2 To oversee implementation of risk data aggregation and risk reporting principles and review and approve the Company's risk data aggregation and risk reporting framework.
- 5.4.3 To review how effectively management is embedding and maintaining effective risk management and control systems and culture to foster compliance with HSBC Group and Company policies and compliance requirements.

In carrying out its oversight role, the Committee will

- 5.4.3.1 consider any material findings from regulators relating to risk governance, conduct of business, risk assessment or management processes.
- 5.4.3.2 review the Company's controls relating to compliance risks and satisfy itself that they are adequate and that the Company is maintaining an appropriate relationship with its regulators;
- 5.4.3.3 consider risk management reports;
- 5.4.3.4 receive Internal Audit reports relating to weaknesses in risk management and control systems;
- 5.4.3.5 report to the Board on the effectiveness of risk management.

Internal Audit

- 5.5.1 To review report from Internal Audit that pertain to the purpose and the areas of responsibility of the Committee.
- 5.5.2 To respond to other Internal Audit matters referred to it by the Audit Committee.
- 5.5.3 To ensure that the Audit Committee is advised of the Committee's work in relation to Internal Audit reports and, in particular, any shortcomings perceived in the scope or adequacy of the work of Internal Audit.

5.6 Chief Risk and Compliance Officer (or equivalent) and Risk Management Function

- 5.6.1 To monitor the effectiveness and independence of the CRCO or equivalent and to review the composition and effectiveness of the Risk and Compliance function including that it is of sufficient stature, independent of the business and adequately resourced (qualifications, experience and training of staff).
- 5.6.2 The Committee shall ensure the CRCO or equivalent:
 - 5.6.2.1 participates in the risk and compliance management and oversight on an enterprise-wide basis;
 - 5.6.2.2 is satisfied that risk owners in the business lines are aware of, and aligned with, the Company's risk appetite;
 - 5.6.2.3 has direct access to the Chair of the Committee;
 - 5.6.2.4 reports to the Committee, alongside the internal reporting line to the Chief Executive; and

5.6.2.5 is independent from individual business units.

5.6.3 To recommend to the Board the appointment or removal of the CRCO or equivalent.

5.7 External auditors

5.7.1 To review and track remediation of any issue raised by the external auditor in respect of 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) relevant to the purpose and the areas of responsibility of the Committee.

5.8 Annual report and accounts (or local equivalent)

5.8.1 Where applicable, to review and endorse the content of the Risk Committee report in the annual financial statements. In recommending the Risk Committee report to the Board, the Committee shall focus on the following:

5.8.1.1 the Company's risk disclosures, including the articulation of the Company's strategy within a risk management context, including inherent risks to which the strategy exposes the Company, the associated risk appetite and tolerance and how actual risk appetite is assessed over time;

5.8.1.2 forward looking information indicating the expected impact of potential risks facing the Company; and

5.8.1.3 the articulation of how the different risk areas are managed across the Company and the role of the Committee in providing oversight.

5.8.2 To review and endorse all risk-related disclosures that are contained in the annual report for submission to the Board.

5.9 Other responsibilities

5.9.1 To consider whether external advice on risk matters should be taken, in particular to challenge analysis undertaken and assessments made by the Committee and the Risk and Compliance function. Where it is deemed necessary, the Committee is authorised by the Board to obtain such professional external advice.

6. Operation of the Committee

6.1 Escalations

The Committee shall escalate any matters that may have a material impact on the Company or the Group, to the Chair of The Hongkong and Shanghai Banking Corporation Limited ("HBAP") Audit Committee or the HBAP Risk Committee respectively. *Refer to the Subsidiary Accountability Framework*

for guidance on escalations.

6.2 [Reporting and half-yearly certificates]

The Committee:

- (a) shall provide half-yearly certificates to the risk committee of the entity with oversight responsibility of the Company (in a form that is consistent with that required by the Group Risk Committee).
- (b) shall review these terms of reference and its own effectiveness annually, as well as the quality of information it receives and recommend any necessary changes.
- (c) shall report to the Board on the matters set out in these terms of reference, how the Committee has discharged its responsibilities and will make recommendations on action needed to resolve concerns or make improvements.
- (d) shall give consideration to the laws and regulation of all applicable jurisdictions and regulators.
- (e) shall work and liaise as necessary with all other Board Committees (including to determine where there is an overlap or any gaps in responsibilities). The Committee's interaction with other relevant Boards and Committees of the Group will be reflected in the detailed plans and processes for the Committee which are developed on an ongoing basis throughout each calendar year.

6.3 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.

6.4 Material deviations from Core Terms of Reference

Material deviations from the Group Core Terms of Reference require the endorsement from the Board or relevant committee of the entity with oversight responsibility of the Company, as and when a material deviation occurs.

6.5 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.

- 6.6** 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 to the Nominations and Remuneration Committee oversight of matters related to nominations and remuneration impacting the Bank and its subsidiary, in particular for:

- (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/ reappointment and removals;
- (iii) Overseeing the implementation and operation of HSBC Group’s remuneration framework, as approved by the HSBC Group Remuneration Committee;
- (iv) Satisfying itself that the remuneration framework does not breach any local law, rule or regulation;
- (v) Satisfying itself that the remuneration framework is in line with the risk appetite, business strategy, culture and values, and long-term interests of the Bank; and
- (vi) Satisfying itself that the remuneration framework is appropriate to attract, retain and motivate individuals of the quality required to support the success of the Bank.

2. Membership

- 2.1 The Committee (including the Chair) shall comprise not less than three (3) independent non-executive directors.
- 2.2 The Chair of the Committee shall be appointed by the Board from among the independent non-executive directors.
- 2.3 Members of the Committee of any HSBC Group subsidiary shall be appointed subject to endorsement by the nomination committee (or equivalent) /or remuneration committee of the entity with oversight responsibility of the Bank.

- 2.4 Members of the Committee shall collectively have appropriate knowledge, expertise and experience concerning remuneration policies and practices, and risk management oversight activities.
- 2.5 Members shall exclude themselves from any business before the Committee in which they are personally interested or consider they have an actual or potential conflict of interest.

3. Attendance

- 3.1 Only members have the right to attend Committee meetings.
- 3.2 The Committee may invite any other individual(s) to attend any meeting(s) of the Committee as it may from time to time consider necessary to assist the Committee in undertaking its responsibilities.
- 3.3 The Bank's Chief Risk Officer (or equivalent) will attend meetings from time to time to report on the alignment of the remuneration framework with the Bank's risk profile and risk management. The Bank's Chief Financial Officer (or equivalent) will attend meetings as necessary to report on the alignment of the remuneration framework and remuneration recommendations with the Bank's capital profile.

4. Meetings and Quorum

- 4.1 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.
- 4.2 The quorum for meetings is a majority of members, including the Chair (or his/her delegate from among the members).
- 4.3 The Secretary of the Committee is the Company Secretary (or his/her nominee).

5. Areas of Responsibility

The Committee's responsibilities shall include:

5.1 In relation to Nominations

5.1.1 The Committee shall make recommendations to the Board concerning:

- (i) the appointment and reappointment by the Board of both executive directors and non-executive directors;
- (ii) suitable candidate for the role of chairman of the Board;
- (iii) the re-election by shareholders of directors retiring by rotation;
- (iv) membership of Board Committees; and
- (v) the appointment and reappointment of Chief Executive Officer ("CEO") and other key senior officers.

5.1.2 The Committee shall:

- (i) 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;
- (ii) 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;
- (iii) 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:
 - (a) use such method or methods to facilitate the search as it may deem appropriate;
 - (b) consider candidates from a wide range of backgrounds;
 - (c) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
 - (d) have due regard for the benefits of diversity on the board, including gender;
 - (e) assess the candidate to determine that he/she is not disqualified under the Financial Services Act 2013 and meets BNM requirements, including the fit and proper requirements in regard to board appointments; and
 - (f) take into account any supervisory concerns that may be highlighted by BNM that require specific expertise on the board.
- (iv) review annually the time commitment required from non-executive directors, taking into account the findings of performance evaluations;
- (v) ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them;
- (vi) ensure that the directors, CEO, Company 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;
- (vii) carry out annual board evaluations to objectively assess the performance and effectiveness of the board, board committees and individual directors;

- (viii) review and monitor the training and development of directors; and
- (ix) oversee the appointment/ reappointment, succession planning and performance evaluation of senior management.

5.2 In relation to Remuneration

5.2.1 Remuneration framework and governance

- (i) Considering remuneration matters for the Bank and its subsidiary in the context of the HSBC Group's remuneration framework, and provide advice on the application of the framework to the Bank in the context of local regulations and market conditions to the Bank's Board and the Board and/or relevant committee of the entity with oversight responsibility of the Bank (where the Company is not a Principal Subsidiary).
- (ii) Satisfying itself that the remuneration framework is in line with the business strategy, culture and values, and long-term interests of the Bank.
- (iii) So as to complete the annual pay review process of the Bank:
 - (a) Considering the relevant issues that were taken into account in agreeing remuneration funding and proposals relevant to the Bank and its subsidiary, and escalate any matters of concern to the Board and/or relevant committee of the entity with oversight responsibility of the Bank (where the Company is not a Principal Subsidiary); and
 - (b) Reviewing and approving (prior to, in certain cases, final approval by the HSBC Group Remuneration Committee and/or the Bank's Board) performance-based remuneration and to provide feedback to the Bank's Board and the Board and/or relevant committee of the entity with oversight responsibility of the Bank (where the Company is not a Principal Subsidiary), as appropriate.
- (iv) Recommending the fees for directors for approval by the Bank's Board, Shareholder(s) (if required), and the Board or relevant committee of the entity with oversight responsibility of the Bank (where the Company is not a Principal Subsidiary).

- (v) Presenting the HSBC Group's remuneration framework for the Board's review and approval on adoption.
- (vi) Recommending for the Board's approval the remuneration of the Senior Management and Heads of Control Functions, including:
 - (a) Individual fixed pay and increases;
 - (b) Annual and long-term incentive arrangements and adjustments;
 - (c) Benefit entitlements;
 - (d) Termination arrangements and compensation for loss of office, ensuring any arrangements do not in any way reward failure;
 - (e) Any guaranteed variable pay for first-year hires;
 - (f) Any early payment of deferred award for leavers; and
 - (g) Buy-out awards to compensate for any forfeiture of and deferred awards from leaving previous employer.

For this purpose:

Senior Management includes the Chief Executive of the Bank, Heads of Control Functions include Audit, Risk, Legal, and Compliance.

- (vii) Recommending for the Board's approval or approving under delegated authority from the Board, the remuneration of Key Personnel, defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank.
- (viii) Determining as appropriate any further sub-delegation to management to approve the remuneration of Key Personnel.
- (ix) Presenting to the Board a summary of the remuneration of all Key Personnel for the Board's review and endorsement, as part of annual pay review.
- (x) Ensuring that an annual review of the Company's remuneration framework and its operation, either internally conducted, or externally commissioned, is carried out independently of management.

5.3 Regulatory, risk and audit

- 5.3.1 Satisfying itself that HSBC Group's remuneration framework as applied to the Bank complies with the regulatory and other legislative requirements that the Bank is required to comply with.

Where elements of the framework are contrary to local regulations, to seek approval from the HSBC Group Remuneration Committee for appropriate deviations from the HSBC Group framework to ensure compliance with local regulations.

5.3.2 Satisfying itself that the remuneration framework:

- (a) Is clearly aligned with the Bank's risk appetite;
- (b) Is consistent with and promotes the sound and effective risk management of the Bank;
- (c) Does not encourage risk-taking that exceeds the level of tolerated risk of the Bank; and
- (d) Does not encourage the Bank to bear any risk that would undermine its ability to comply with any regulatory obligation.

If, in accordance with Section 6.1, the Committee escalates any concern that the application of the HSBC Group's remuneration framework to the Bank would prevent compliance with paragraph 5.3.2 (a) through (d) above to the Board and/or relevant committee of the entity with oversight responsibility of the Bank (where the Company is not a Principal Subsidiary), the Bank shall have the authority to act outside the HSBC Group's remuneration framework to the extent necessary to ensure compliance, only if the Committee cannot reconcile the position after escalating and engaging with the Board and/or relevant committee of the entity with oversight responsibility of the Bank, as appropriate.

5.3.3 Reviewing any material matters relating to remuneration that need to be reported to the Board, shareholders and local regulators. This includes the review and approval of:

- (a) The content of the Remuneration Report (if any) in the annual report and accounts (or equivalent) of the Bank; and
- (b) Any material report required by the Bank's local regulators on the Bank's remuneration approach.

5.3.4 Seeking advice from the Bank's Risk Committee (or its Chair if he/she is a member of the Committee) and Chief Risk Officer (or equivalent) as appropriate, on the alignment of risk and remuneration and, as necessary, any relevant adjustments for risk to be considered in respect of the variable pay pool and remuneration outcomes. In the event of any difference of view, appropriate risk adjustments should be recommended by the Chair of the Committee to the Board or relevant committee of the entity with oversight responsibility of the Bank (where the Bank is not a Principal Subsidiary) for further consideration.

- 5.4 Undertaking on behalf of the Chair of the Board or the Board itself such other related tasks as the Chair of the Board or the Board itself may from time to time entrust to it.

6. Responsibilities in relation to the HSBC Group Remuneration Committee

6.1 Reporting, Certificates and Assurances (Escalation):

[for any other HSBC Group company that is not a Principal Subsidiary]

6.1.1 To provide annual certification / attestation to the Board and/or relevant committee of the entity with oversight responsibility of the Bank (in a form that is consistent with that required by the HSBC Group Remuneration Committee); and

6.1.2 To take action, provide documentation or assurances as requested by the Board and/or relevant committee of the entity with oversight responsibility of the Bank including: (i) escalate relevant matters in relation to the application of the HSBC Group's remuneration framework or, as appropriate, any other concern in relation to remuneration matters for the Bank and its subsidiaries, (ii) provide copies of minutes or supplemental periodic certifications, (iii) adopting best practice, (iv) sharing information, and (v) interacting with its Chair on a regular basis, in each case as appropriate.

6.2 Responsibilities of subsidiary remuneration committees

The Committee shall have oversight responsibility for remuneration matters considered by subsidiary boards or relevant committees within its region as follows: (a) review the composition, powers, duties and responsibilities of any remuneration committee of the Bank'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 among HSBC subsidiaries, and (d) discuss such matters as the Committee deems appropriate with the chair or other members of such subsidiary committees.

6.3 Reporting to the Board

The Committee will report to the Bank's 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 Bank's remuneration framework.

7. Operation of the Committee

7.1 Annual review of terms of reference and committee effectiveness

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

7.1.2 Annually, the Committee shall report to the Bank's Board and inform the Chair of the board and/or relevant committee of the entity with oversight responsibility of the Bank, how the Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

7.1.3 Material deviations from the HSBC Group Core Terms of Reference require the endorsement from [for any other HSBC Group company that is not a Principal Subsidiary] the Board or relevant committee of the entity with oversight responsibility of the Bank as and when a material deviation occurs.

7.2 External advisers

The Committee may retain special counsel, advisers, experts, or other consultants from time to time to assist consideration of 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 Bank 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 Bank.

7.3 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.

7.4 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.