

**HSBC Bank Canada**  
*(a Canadian chartered bank)*

**ANNUAL INFORMATION FORM**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

April 26, 2021

HSBC Bank Canada  
300-885 West Georgia Street  
Vancouver, British Columbia  
V6C 3E9  
Canada

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## EXPLANATORY NOTES

In this Annual Information Form (“AIF”) the “Bank” means HSBC Bank Canada. Except as otherwise noted, all information is given as at, or for the year ended, December 31, 2020. Unless otherwise stated, all amounts are expressed in Canadian dollars.

### Information Incorporated by Reference

Portions of the Bank’s Annual Report and Accounts 2020 (“Annual Report”), which includes the management’s discussion and analysis (“MD&A”) and the consolidated financial statements for the year ended December 31, 2020 are incorporated by reference into this AIF. The Annual Report has been filed on SEDAR and can be obtained from SEDAR’s website at [www.sedar.com](http://www.sedar.com).

## **Note Regarding Forward Looking Information**

Certain information in this AIF may constitute “forward-looking information” that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this AIF, forward-looking information may include words such as “seek”, “anticipate”, “estimate”, “aim”, “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this AIF. Forward-looking statements may include, but are not limited to, comments with respect to our objectives and priorities, our strategies or future actions, and the outlook for our operations.

## **CORPORATE STRUCTURE**

HSBC Bank Canada was established as a chartered bank in 1981 and has carried on business under the provisions of the *Bank Act* (Canada) (the “Bank Act”) since that time. The Bank is a member of the HSBC group of companies (“HSBC”), whose ultimate parent company HSBC Holdings plc (“HSBC Holdings”, “HSBC Group” or together with its subsidiaries “the Group”) is headquartered in London, UK. More information on HSBC can be found on page 14 of the Annual Report. No amendment to the letters patent was required at the time of the acquisition of the business of the Bank of British Columbia in 1986. However, the letters patent of the Bank have been amended to reflect the amalgamation of the Bank with each of Midland Bank Canada, in 1988; Lloyds Bank Canada, effective in 1989; ANZ Bank Canada, in 1993; Barclays Bank of Canada, in 1996; Hongkong Bank Loan Corporation (the corporate successor to National Westminster Bank of Canada), in 1998; Republic National Bank of New York (Canada), in 2000; CCF Canada, in 2001; Intesa Bank Canada, in 2004 and HSBC Financial Corporation Limited and HSBC Finance Corporation Canada, in 2014. The letters patent were also amended in 1999 to reflect the change of the name of the Bank from Hongkong Bank of Canada to HSBC Bank Canada. The Bank’s head office is located at 300-885 West Georgia Street, Vancouver, British Columbia, V6C 3E9.

Details of the Bank’s principal subsidiaries are set out in note 15 to the Bank’s consolidated financial statements on page 99 of the Annual Report. The Bank owns, directly or indirectly, all of the outstanding voting shares of these subsidiaries. All of these subsidiaries are incorporated under the laws of Canada, except HSBC Securities (Canada) Inc. and HSBC Finance Mortgages Inc., which are both incorporated under the laws of Ontario. A copy of the Bank’s by-laws is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **GENERAL DEVELOPMENT OF THE BUSINESS**

The Bank is an integral part of one of the most international banking and financial services organizations in the world.

The value of our international network comes from our connections to the people and companies that drive economic activity across the globe. We provide products and services to meet diverse financial needs – from purchasing a new home to financing large infrastructure projects such as expansion of a regional port terminal. Our relationships reflect the geographic reach of our network and the range of customers we support.

Our network of customers provides us with significant insight into trade and capital flows across supply chains. When we bank customers on both sides of a transaction, we can help them overcome obstacles and operate more efficiently. We are uniquely positioned to be the bridge for customers, both large and small, between Canada and the rest of the world.

The Bank is focused on growth, with a strong capital, funding and liquidity position and a diversified business model.

The three HSBC global lines of business that operate in Canada are:

**Commercial Banking (“CMB”)** which offers a full range of commercial financial services and tailored solutions to customers ranging from small enterprises to large corporates operating internationally.

**Global Banking and Markets (“GB&M”)** which provides tailored financial services and products to major government, corporate and institutional customers worldwide. Our comprehensive range of products and solutions across capital financing, advisory and transaction banking services, can be combined and customized to meet clients’ specific objectives.

**Wealth and Personal Banking (“WPB”)** which offers a full range of competitive banking products and services for all Canadians to help them manage their finances, buy their homes, and save and invest for the future. Our business also has an international flavour with a large suite of global investment products and other specialized services available. Effective from the second quarter of 2020, in conjunction with changes made by HSBC Group, our Retail Banking and Wealth Management business has been renamed to Wealth and Personal Banking. For further details, see note 9 to the Bank’s consolidated financial statements in the Annual Report on pages 90 to 92.

For the year ended December 31, 2020, the Bank reported a profit before income tax expense of \$404 million, a decrease of \$412 million, or 50%, compared with \$816 million from 2019. The Bank’s profit before income tax expense was \$991 million in 2018.

## **DESCRIPTION OF THE BUSINESS**

HSBC Group is one of the largest banking and financial services organizations in the world.

The Bank is the leading international bank in Canada with total assets of \$117.3 billion at December 31, 2020. Established in 1981 and headquartered in Vancouver, British Columbia, we have grown organically and through strategic acquisitions to become an integrated financial services organization with more than 135 branches across the country.

Our business model is structured and focused on helping companies and individuals do business and manage their finances in Canada and internationally with a comprehensive range of financial service, trade and investment products.

Canada is an important contributor to the HSBC Group growth strategy and a key player in the Group’s work to support customers and drive growth, leveraging its footprint across all key trade corridors, including North America, alongside the United States and Mexico, and with Asia. HSBC’s parent company, HSBC Holdings plc, is headquartered in London, UK. HSBC’s international network spans Europe, Asia, North America, Latin America, and the Middle East and North Africa. Shares in HSBC Holdings are listed on the London, Hong Kong, New York, and Bermuda stock exchanges. The shares are traded in New York in the form of American Depositary Receipts.

Further details on the Bank’s overall strategy and achievements can be found in the MD&A on pages 14 and 15 of the Annual Report. Information on each of the Bank’s business lines can be found in the MD&A on page 3 and pages 24 to 27 and note 9 of the Bank’s consolidated financial statements on pages 90 to 92 of the Annual Report. Information on liquidity and funding risk and capital can be found on pages 54 to 56 and 63 to 64, respectively. Information on credit risk and lending operations can be found in the MD&A on pages 38 to 54 of the Annual Report.

The Bank and its subsidiaries have approximately 4,828 employees, representing about 4,404 employees on a full time equivalent basis.

The Canadian financial services industry is highly competitive. The Bank competes directly with other Canadian chartered banks, which, as a group, are the largest financial intermediaries in Canada, as well as with other financial institutions including investment dealers, insurance companies, trust companies, credit unions, mutual fund dealers and pension funds. The Bank views its ability to utilize and leverage the international strength, reach and brand of HSBC’s integrated worldwide financial services network as its primary competitive advantage.

## **Social and Environmental Policies**

Each year, the Bank publishes its Public Accountability Statement, called ‘HSBC Bank Canada in the Community’ which details our community investment programs, contribution to the economy and initiatives that are making it easier for our customers to reach their financial goals. This can be accessed on our website at: [www.about.hsbc.ca/hsbc-in-canada/community](http://www.about.hsbc.ca/hsbc-in-canada/community).

## **Risk Factors**

A discussion of the various risk factors facing the Bank is set out in the Risk section of the MD&A on pages 34 to 63 of the Annual Report. Additional factors related to the impact of COVID-19 can be found in the Impact of COVID-19 and our Response section of the MD&A on pages 15 and 16 of the Annual Report.

## DIVIDENDS

Dividends on our shares declared in each of the last three years were as follows:

	2020	2019	2018
Common shares (\$million) <sup>1</sup> .....	160	430	810
Class 1 Preferred shares (\$per share)			
Series G <sup>2</sup> .....	0.50000	1.00000	1.00000
Series H <sup>2</sup> .....	0.39471	-	-
Series I <sup>3</sup> .....	1.15000	1.15000	1.23250
Series K <sup>4</sup> .....	1.36252	0.35560	-

<sup>1</sup> Represents dividends declared in a year and not dividends in respect of, or for, that year.

<sup>2</sup> Holder of the preferred shares Series G exercised their option to convert the preferred shares Series G into preferred shares Series H on June 30, 2020 in accordance with share Series G terms and conditions; initial dividends were declared during the third quarter of 2020 and were paid in accordance with their terms in the usual manner on September 30, 2020 or the first business day thereafter.

<sup>3</sup> Preferred shares – Class 1, Series I were issued on December 7, 2017; initial dividends were declared during the first quarter of 2018 and paid in accordance with their terms in the usual manner on March 31, 2018 or the first business day thereafter.

<sup>4</sup> Preferred shares – Class 1, Series K were issued on September 27, 2019; initial dividends were declared during the fourth quarter of 2019 and paid in accordance with their terms in the usual manner on December 31, 2019 or the first business day thereafter.

Information about dividends is set out in the MD&A on page 65 and note 8 of the Bank's consolidated financial statements on page 90 of the Annual Report.

## DESCRIPTION OF CAPITAL STRUCTURE

### General Description

The Bank's capital structure is determined by certain minimum levels of regulatory capital required by Canada's banking regulator, the Office of the Superintendent of Financial Institutions ("OSFI"). Reference should be made to the Capital Management section of the MD&A on pages 63 and 64 of the Annual Report. Details of each class of share in the capital of the Bank are set out in note 25 to the Bank's consolidated financial statements in the Annual Report on page 106. Details relating to subordinated debt and debentures, which also form part of the Bank's regulatory capital structure, are set out in note 22 to the Bank's consolidated financial statements on page 101 of the Annual Report. There have been no issues of subordinated indebtedness or capital stock subsequent to December 31, 2020.

### Voting Securities and Principal Holders of Voting Securities

The common shares are the Bank's only voting securities. There were 548,668,000 common shares outstanding as at December 31, 2020. All of the Bank's common shares are held by HSBC Overseas Holdings (UK) Limited, a direct subsidiary of HSBC Holdings.

### Credit Ratings

The Bank's credit ratings as at April 26, 2021 are as follows:

	Standard and Poor's ("S&P")	DBRS®	Fitch Ratings ("Fitch")	Moody's Investors Service ("Moody's")
Short-term instruments	A-1	R-1 (middle)	F1+	Prime-2
Deposits and senior debt	A+	A (high)	A+	A3
Subordinated debt	BBB+	A	A-	n/a
Outlook	Stable	Negative	Negative	Stable

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an entity's financial instruments and the likelihood of repayment and of the capacity and willingness of an entity to meet its financial obligations in accordance with the terms of those obligations. The Bank's credit ratings influence its ability

to secure cost-efficient wholesale funding. A description of the rating categories for each of the ratings in the table above is set out below. None of the ratings should be construed as a recommendation to buy, sell or hold the securities or other instruments of the Bank. Any of the ratings may be revised or withdrawn at any time by the relevant rating organization.

### S&P

S&P has different rating scales for short-term instruments and long-term debt. S&P uses “+” or “-” or “High” or “Low” designations to indicate the relative standing of instruments within a particular rating category. The absence of either “+” or “-” or a “High” or “Low” indicates that the rating is in the middle of that category.

In May 2020 S&P downgraded the Bank’s short-term instruments from “A-1+” to “A-1” and deposits and senior debt to “A+” from “AA-” both of which are considered investment grade ratings..

The “A-1” rating assigned by S&P to the Bank’s short-term instruments is the highest of six rating categories and indicates S&P’s view that the Bank’s capacity to meet its financial commitment on short-term instruments is extremely strong. The “A+” rating assigned by S&P to the Bank’s deposits and senior debt and the “BBB+” rating assigned to its subordinated debt both fall within the top four of eleven rating categories for long-term debt. A rating category of “BBB” (including “BBB+”) or better indicates that adverse economic conditions or changing circumstances are more likely to weaken the obligor’s capacity to meet its financial commitments on the obligation.

### DBRS®

DBRS® has different rating scales for short-term instruments and long-term debt. Each rating category is denoted by the subcategories “high”, “middle” and “low” which reflects the relative strength within that category. In December 2020, DBRS® confirmed the investment grade ratings.

The “R-1 (middle)” rating assigned by DBRS® to the Bank’s short-term instruments is within the highest of six rating categories and indicates debt of superior quality and an entity possessing very high ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels and profitability that is both stable and above average.

The “A (high)” rating assigned by DBRS® to the Bank’s deposits and senior debt and the “A” rating assigned to its subordinated debt fall within the third highest category of the ten rating categories for long-term debt. Under the DBRS® scale, debt securities rated “A” (including “A (high)”) are of good credit quality and protection of interest and principal is substantial.

### Fitch Ratings

Fitch has different rating scales for short-term instruments and long-term debt. Within some of the rating categories, Fitch may append the rating with the modifiers “+” or “-” to denote relative status within major rating categories. In April 2020, Fitch revised the Bank’s outlook to Negative from Stable and reaffirmed its ratings of the Bank in June 2020.

The “F1+” rating assigned by Fitch to the Bank’s short-term instruments is the highest of seven rating categories and indicates the strongest intrinsic capacity for timely payment of financial commitments, with an added “+” to denote any exceptionally strong credit feature

The “A+” rating assigned by Fitch to the Bank’s deposits and senior debt and the “A-” rating assigned to its subordinated debt fall within the top three of eleven ratings categories. A rating category of “A” (including “A-”) or better indicates strong capacity for payment of financial commitments.

### Moody's Investors Service

Moody's has different rating scales for short-term instruments and long-term debt. For long-term debt, Moody's uses modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. In November 2020, Moody's affirmed the investment grade ratings.

The "Prime-2" rating assigned by Moody's to the Bank's short-term instruments is the second of four rating categories and indicates Moody's view that the Bank's ability to repay short-term debt obligations is strong.

The "A3" rating assigned by Moody's to the Bank's deposits and senior debt falls within the top three of nine rating categories for long-term debt. A rating category of "A3" indicates obligations are judged to be upper-medium grade and are subject to low credit risk.

### **DIRECTORS AND EXECUTIVE OFFICERS**

The following tables set forth the name, province or state and country of residence, position held with the Bank and the principal occupation of each of the current directors and executive officers of the Bank at April 26, 2021 <sup>(a)</sup>.

#### **Directors**

<b><u>Name, Province or State and Country of Residence</u></b>	<b><u>Principal Occupation During the Past Five Years and Position with the Bank</u></b>	<b><u>Director Since</u></b>
JUDITH J. ATHAIDE Alberta, Canada <sup>(b)</sup>	President and Chief Executive Officer Cogent Group Inc. Non-Executive Director, HSBC Bank Canada	May 2017
KAREN L. GAVAN Ontario, Canada <sup>(b)</sup>	Corporate Director <sup>(c)</sup> Non-Executive Director, HSBC Bank Canada	April 2019
BETH S. HOROWITZ Ontario, Canada <sup>(b)</sup>	Corporate Director <sup>(d)</sup> Non-Executive Director, HSBC Bank Canada <sup>(e)</sup>	September 2009
ROBERT G. McFARLANE British Columbia, Canada <sup>(b)</sup>	Corporate Director Non-Executive Director and Chair of the Audit, Risk and Conduct Review Committee, HSBC Bank Canada	February 2015
SAMUEL MINZBERG Québec, Canada <sup>(b)</sup>	Of Counsel Davies Ward Phillips & Vineberg <sup>(f)</sup> Non-Executive Director and Chairman of the Board, HSBC Bank Canada	January 2001
MARK S. SAUNDERS Ontario, Canada	Executive Vice-President, Enterprise Services Sun Life Financial <sup>(g)</sup> Non-Executive Director, HSBC Bank Canada	January 2021
LINDA SEYMOUR Ontario, Canada	Group General Manager, President and Chief Executive Officer, HSBC Bank Canada	June 2020
LORENZO (LARRY) TOMEI Ontario, Canada	Executive Vice-President and Head of Wealth and Personal Banking, HSBC Bank Canada	June 2020

Notes:

- (a) As of December 31, 2020 and until April 23, 2021, Stephen Moss was a member of the Bank's Board of Directors. At December 31, 2020, Mr. Moss was Group Managing Director and Regional Chief Executive for Europe; the Middle East, North Africa and Turkey; Latin America; Canada and was resident in the United Kingdom. Effective April 4, 2021, he was appointed Group Managing Director, Regional Chief Executive Officer for the Middle East, North Africa and Turkey, HSBC Bank Middle East (subject to regulatory approval) and became resident in Dubai, United Arab Emirates.
- (b) Member of Audit, Risk and Conduct Review Committee.
- (c) Karen Gavan was formerly the Chief Executive Officer of Economical Insurance, from 2011 to 2016.
- (d) Beth Horowitz was on the Board of Directors of Carrot Insights from December 2017 to December 2019. Carrot Insights is a small, early-stage privately-held tech company which entered bankruptcy proceedings in 2019 and changed ownership.
- (e) Beth Horowitz chaired an ad hoc Nomination Committee established by the Board in 2020 which was subsequently dissolved.
- (f) Samuel Minzberg is currently Of Counsel to the law firm Davies Ward Phillips & Vineberg, and was formerly Senior Partner.
- (g) Mark Saunders has held executive roles with Sun Life Financial since 2009, from which he is expected to retire at the end of April, 2021.

One of HSBC Bank Canada's Directors also serves on the Boards of Directors of Mackenzie Financial Corporation and Mackenzie Financial Capital Corporation. At this time, no existing conflict of interest has been identified. However, should a conflict arise from sitting on these Boards, HSBC Bank Canada has internal controls and procedures in place to address Directors' disclosure of potential or actual conflicts of interest.

Each director will serve as a director for a 1, 2 or 3 year term or until his or her successor is elected or appointed. Directors may also be reappointed following the expiry of their terms.

## Executive Officers

<b><u>Name, Province and Country of Residence</u></b>	<b><u>Principal Occupation During the Past Five Years and Position with the Bank</u></b>
LINDA SEYMOUR <sup>(a)</sup> - Ontario, Canada	Group General Manager, President and Chief Executive Officer
GERHARDT SAMWELL - British Columbia, Canada	Chief Financial Officer
LILAC BOSMA - British Columbia, Canada	General Counsel
ANDREW CHERRY <sup>(b)</sup> - Ontario, Canada	Head of Global Markets
LISA DALTON - British Columbia, Canada	Chief of Staff, Office of the CEO
KIMBERLY FLOOD - Ontario, Canada	Senior Vice-President and Head of Communications
KIM HALLWOOD - British Columbia, Canada	Head of Corporate Sustainability
SCOTT LAMPARD <sup>(c)</sup> - Ontario, Canada	Executive Vice-President and Managing Director, Head of Global Banking
GEORGIA STAVRIDIS <sup>(d)</sup> - British Columbia, Canada	Executive Vice-President and Chief Compliance Officer
KIM TOEWS - British Columbia, Canada	Executive Vice-President and Head of Human Resources
LORENZO (LARRY) TOMEI - Ontario, Canada	Executive Vice-President and Head of Wealth and Personal Banking
CAROLINE TOSE - British Columbia, Canada	Chief Operating Officer
SOPHIA S. TSUI <sup>(e)</sup> - British Columbia, Canada	Senior Vice-President and Chief Auditor
JOSÉE TURCOTTE - Ontario, Canada	Senior Vice-President, Corporate Secretary and Head of Governance
ALAN TURNER <sup>(f)</sup> - Ontario, Canada	Executive Vice-President and Head of Commercial Banking



- (a) Linda Seymour was appointed President and Chief Executive Officer effective September 1, 2020, replacing Sandra J. Stuart in this role. She was formerly Executive Vice-President and Head of Commercial Banking.
- (b) Andrew Cherry was appointed Head of Global Markets effective August 17, 2020, succeeding Scott Lampard in this role.
- (c) Scott Lampard was appointed Executive Vice-President and Managing Director, Head of Global Banking effective August 17, 2020. He was an executive officer of the Bank as of May 20, 2020 in his prior role as Head of Global Markets.
- (d) Georgia Stavridis was appointed as Chief Compliance Officer effective May 4, 2020. She was formerly Senior Vice-President and Head of Financial Crime Compliance.
- (e) Sophia Tsui was appointed Chief Risk Officer effective March 8, 2021, replacing Stephen O'Leary in this role. She was formerly Senior Vice-President and Chief Auditor.
- (f) Alan Turner was appointed Executive Vice-President and Head of Commercial Banking effective March 22, 2021, replacing Linda Seymour in this role.

During the past five years, all of the directors and executive officers of the Bank have been associated in various capacities with the Bank, affiliates thereof or the companies or organizations indicated opposite their names in the table above except: Josée Turcotte, who was Secretary to the Ontario Securities Commission prior to joining the Bank in 2016; Larry Tomei, who spent the 22 years prior to joining the Bank in 2016 at CIBC, most recently as Senior Vice President and previously in senior roles including heading the national sales and service team for retail distribution, heading sales for private wealth management, and leading the institution's mutual fund arm; Alan Turner, who was Managing Director, Global Head of Product for Barclays Corporate Bank in London, U.K. from June 2014 to December 2016, prior to joining HSBC in 2017; and Gerhardt Samwell, who was the Chief Accounting Officer for the Royal Bank of Canada prior to joining the Bank in 2017.

As of December 31, 2020, the directors and officers of the Bank as a group beneficially own, directly or indirectly, or exercise control or direction over no securities of any class of the Bank.

## **EXECUTIVE COMPENSATION**

### **Compensation discussion and analysis**

The following compensation discussion and analysis summarizes the principles, objectives and factors considered in evaluating and determining the 2020 total compensation of the Bank's senior executive officers, including specific compensation information for our Group General Manager, President and Chief Executive Officer ("CEO") Sandra J. Stuart (to August 31, 2020) and Linda Seymour (from September 1, 2020 to present), our Chief Financial Officer ("CFO") Gerhardt Samwell, as well as the next three most highly compensated executives: Larry Tomei, Executive Vice President ("EVP") and Head of Wealth & Personal Banking, Scott Lampard, EVP and Managing Director ("MD"), Head of Global Banking and Andrew D. Cherry, Head of Global Markets. Collectively, these officers are referred to as the Named Executive Officers ("NEOs").

### **Oversight of Compensation Decisions**

#### ***Remuneration Committee***

HSBC Holdings Board of Directors has a Group Remuneration Committee ("RemCo" or the "Committee") which oversees HSBC's reward principles. All members of RemCo meet regularly and are independent non-executive Directors of HSBC Group.

The Committee is responsible for setting the overarching principles, parameters and governance of the Group's remuneration framework for all employees, and the remuneration of executive Directors, the Group Chairman and other senior Group employees. The Committee regularly reviews the framework in the context of consistent and effective risk management, and the regulatory requirements of multiple jurisdictions. A copy of the Committee's terms of reference can be found on our website at <http://www.hsbc.com/our-approach/corporate-governance/board-committees>. To ensure the alignment of remuneration and risk:

- The Group Chief Risk Officer attends all Committee meetings to inform the Committee of risk related issues across the Group so they are considered by the Committee in applying the remuneration policy and making remuneration decisions. The Group Chief Risk Officer also updates the Committee on the Group's performance against the Risk Appetite Statement, which describes and measures the amount and types of risk that HSBC is prepared to take in executing its strategy. The Committee uses these updates in applying the remuneration policy and considering the risk related adjustments made to the variable pay pool, to ensure that return, risk and remuneration are aligned.

- The Committee consults with the Group Risk Committee on the alignment of risk and remuneration and on risk adjustments to be applied in setting annual variable pay pool.
- The Committee also considers material issues raised by the Group Audit Committee (“GAC”) resulting from the work of Internal Audit, including communication of relevant internal audit findings on remuneration matters. The Committee provides feedback to the GAC on these matters.

The Committee reviews its terms of reference annually and its own effectiveness as well as the quality of information it receives and recommends any necessary change.

As an indirect wholly owned subsidiary of HSBC Holdings, the Bank adopts the remuneration policy established by HSBC Group as it fits the purpose in Canada, and our Group General Manager, President and Chief Executive Officer, Ms. Seymour and previously Ms. Stuart, are Group General Managers whose total compensation is reviewed and approved by RemCo.

### ***Board of Directors***

The Bank’s Board of Directors (the “Board”) plays an important role in the determination of remuneration. The Board meets annually to review and approve the compensation levels for the CEO and senior executive officers in the organization, including an assessment of their performance and compensation relative to the marketplace. Recommendations to the Committee are made with the concurrence of the Board.

The following section provides some additional information on the compensation approval framework, the compensation elements and the compensation levels for the NEOs, and senior executive officers more broadly.

### ***Compensation Approval Framework***

HSBC Group has a standard approval framework for total compensation decisions across all business lines and functions to ensure approvals of compensation decisions are handled efficiently and in adherence with established governance and control protocols. Decisions follow the framework which outlines the delegation of authority to approve pay packages down the organization. All compensation approvals are governed by the nature of the proposal (i.e. what compensation package is being proposed), whether the individual has been identified as a Material Risk Taker (“MRT”), as well as Global Career Band (“GCB”). Through the framework, the approval of pay is generally required from the functional manager of the proposing manager and in some instances, the functional manager two levels up of the proposing manager. Compensation proposals for the NEOs may require further approvals subject to the type and cost of the proposal and their GCB level, including approval from their functional managers, the Group Head of Performance & Reward, Group Chief Human Resources Officer, Group Chief Executive Officer, and/or the Committee, as appropriate. Compensation proposals which exceed USD 3 million require all of the aforementioned approvals including Committee approval.

### ***Material Risk Takers and the UK’s Prudential Regulation Authority’s (“PRA”) Remuneration Rules (the “PRA Rules”)***

As a UK- headquartered firm under the provisions of the PRA Rules, HSBC Group is required to identify individuals who are considered to be “Identified Staff and Material Risk Takers” (collectively referred to as “MRTs” throughout this document) based on qualitative and quantitative criteria specified in the European Union Regulatory Technical Standard (“RTS”) 604/2014 and other criteria applied by HSBC.

HSBC Group has developed a methodology for identifying individuals who fall under the quantitative or qualitative criteria specified in the RTS. Additional MRTs are also identified using HSBC Group’s own internal criteria that is based on roles and professional activities performed by individuals, and/or their total compensation level for the performance year. In addition to identifying MRTs under the PRA Rules, HSBC Group also identifies individuals to whom remuneration rules under any applicable local or sectorial rules are to be applied.

The Bank, as a subsidiary of HSBC Group, is expected to comply with the requirements set out in the PRA Rules and any other local or sectorial rules that apply to HSBC Group, including the requirements on how variable pay awards should be structured and what proportion of variable pay awards should be deferred.

For 2020, all NEOs are considered MRTs.

### **HSBC Bank Canada's Remuneration Principles**

Our performance and pay strategy aims to reward competitively the achievement of long-term sustainable performance by attracting, motivating and retaining the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. It supports our people to perform their roles in the long-term interests of our stakeholders, which includes the customers and communities we serve, our shareholders and our regulators.

The strategy is underpinned by:

- decisions that are fair, appropriate and free from bias;
- a culture supportive of continuous feedback through manager and employee empowerment;
- reward and recognition of sustainable performance and values-aligned behaviour; and
- a balanced, simple and transparent total reward package that supports employee well-being.

### ***Spotlight on 2020: Our response to the COVID-19 outbreak***

In response to the challenging circumstances faced by our employees due to the COVID-19 pandemic, we offered them increased practical support, recognized them for their exceptional response to our customers and each other, and took into consideration the following principles in assessing performance and pay to ensure fair decisions.

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#### **Appropriate practical support for our colleagues**

- Our priority was to support the well-being of our employees using a range of initiatives focusing on:
  - enabling employees to work flexibly to support additional caring responsibilities;
  - ensuring employees had the equipment they needed to work from home wherever possible;
  - providing financial assistance to employees who were required to be onsite at branches or offices resulting in additional costs like alternate transportation or child care; and
  - supporting mental and physical well-being with employee assistance programs, virtual medical support through benefits providers, and offering flexible working options and unpaid sabbatical for reasons related to COVID-19.

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#### **Recognizing the exceptional response**

- We ran a 'Spotlight' campaign within our 'At Our Best Recognition' points program that focused on recognizing our COVID-19 Heroes.
- Of 5,750 eligible employees in Canada, 3,186 (55%) received colleague recognitions.

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#### **Helping managers to make fair decisions**

- The majority of our people underwent a change in working pattern and/or location as a result of the COVID-19 outbreak. We wanted to ensure our people are always recognized against relevant and achievable objectives with allowance for barriers to performance outside of their control.
  - In response to the COVID-19 outbreak, we issued specific guidance for managing performance under some of the most common scenarios our people found themselves in, to support our managers in continuing to make fair performance and pay decisions.
-

Our approach to performance and pay in 2020 for the broader workforce was underpinned by our remuneration principles.

Principle	Our approach in 2020
<b>Fair, appropriate and free from bias</b>	<ul style="list-style-type: none"> <li>• Our communications to managers encouraged them to challenge their assessments by questioning whether they were objective and based on facts. Managers in similar roles then came together to complete fairness reviews of the performance and behaviour ratings of their team and make any necessary adjustments based on the review of the peer group to mitigate the risk of bias and take a broader view of team performance.</li> <li>• We supported managers, particularly less experienced ones, to make informed, consistent and fair pay decisions. Managers of our junior employees were supported by simplified or guided decision making.</li> <li>• As part of our annual performance and pay review process, we undertook analytical reviews to check for and identify bias, and provide these reports to our senior management and Group Remuneration Committee as part of their review of annual pay review outcomes.</li> <li>• We made pay and performance reporting tools available to our managers for the purpose of undertaking an analytical review of pay decisions for their team. We continue to enhance these based on manager feedback to make these tools useful and increase usage.</li> <li>• We regularly review our pay practices and in 2020, we worked with independent third parties to ensure continued pay equity compliance in Ontario and Quebec.</li> <li>• If pay differences are identified that are not due to an objective reason such as performance or skills and experience, we made adjustments.</li> </ul>
<b>A culture of continuous feedback through manager and employee empowerment</b>	<ul style="list-style-type: none"> <li>• We seek to create a culture where our people can fulfil their potential, gain new skills and develop their careers for the future.</li> <li>• In 2020, we enhanced our continuous feedback culture, Everyday Performance and Development, which supported our people to have regular conversations with their line managers about items such as their performance, pay, development and wellbeing throughout the year.</li> <li>• We launched our Continuous Performance Management tool, including on mobile, to make it easier for our people as team members and as managers to share activities, feedback, achievements and progress regularly to drive conversations.</li> <li>• We encouraged colleagues to use our online career planning tools to help them with their thinking about future roles and the capabilities they require.</li> <li>• Line managers were provided with clear guidance materials to support them in making fair and appropriate decisions at key stages in the performance and pay decision-making process. We were clear on the decisions that managers are empowered to own and provided them with principles to support such decision making.</li> <li>• Employees also received notifications and guidance throughout the performance and pay review period to support their understanding of what is expected of them and what they can expect.</li> </ul>
<b>Reward and recognition of sustainable performance and values aligned behaviour</b>	<ul style="list-style-type: none"> <li>• We have a robust performance management process that underpins our approach to reward and drives clear pay differentiation.</li> <li>• Group and business unit performance is used in determining the Group variable pay pool and its allocation to each business unit. Where performance in a year is weak, as measured by both financial and non-financial metrics, this will impact the relevant pool, while the final pool also considers the external operating environment and expectation of our stakeholders.</li> <li>• We believe it is important to recognize our people not just for results, but also for upholding our values. As such, employees receive a behaviour rating as well as a performance rating to ensure performance is assessed not only on what is achieved, but also on how it is achieved.</li> <li>• We undertake analytical reviews to ensure there is clear pay differentiation across both performance and behaviour ratings, which are provided to senior management and the Group</li> </ul>

	<p>Remuneration Committee as part of their oversight of the remuneration outcomes for the Group's workforce.</p> <ul style="list-style-type: none"> <li>• We recognize examples of exceptional positive conduct through an increase in variable pay, and apply a reduction in variable pay for misconduct or inappropriate behaviour that exposes us to financial, regulatory or reputational risk.</li> <li>• Our global 'At Our Best' recognition program allows our people to recognize their colleagues for demonstrating our values, with an award of recognition points that can be redeemed against a wide range of goods.</li> <li>• We promote employee share ownership through variable pay deferral or voluntary enrolment in an all-employee share plan, which assists with incentivising long-term sustainable performance.</li> </ul>
<b>Balanced, simple and transparent total reward packages, which support employee wellbeing</b>	<ul style="list-style-type: none"> <li>• We maintain an appropriate balance between fixed pay, variable pay and employee benefits, taking into consideration an employee's experience, role, individual performance and the market. We are informed, but not driven, by market position and practice.</li> <li>• For the 2020 pay review process, we prioritized fixed pay increases for our junior employee population, where it represents a higher proportion of total compensation, and towards business areas which are particularly integral to the execution of the Group's strategy.</li> <li>• We are committed to employee well-being and offer employee benefits that support the mental, physical and financial health of a diverse workforce.</li> </ul>

### Elements of Compensation

Total compensation, which comprises of fixed and variable pay, is the key focus of our compensation framework, with variable pay differentiated by performance and with adherence to HSBC values. We set out below the key features and design characteristics of our compensation framework which apply on a Group-wide basis, subject to compliance with local laws:

### Overview of compensation structure for employees

Compensation element and objectives	Application
<b>Fixed pay</b> Attract and retain employees by paying market competitive pay for the role, skills and experience required for the business	<ul style="list-style-type: none"> <li>• Fixed pay may include salary, fixed pay allowance, and other cash allowances in accordance with local market practice. These pay elements are based on predetermined criteria, are non-discretionary, are transparent and not reduced based on performance.</li> <li>• Fixed pay represents a higher proportion of total compensation for junior employees.</li> <li>• Elements of fixed pay may change to reflect an individual's position, role or grade, local market pay competitiveness, individual skills, competencies, capabilities and experience.</li> </ul>
<b>Benefits</b> Provided in accordance with local market practice	<ul style="list-style-type: none"> <li>• Benefits may include, but are not limited to, the provision of health and dental benefits, life insurance, wellbeing support and a pension.</li> </ul>
<b>Annual incentive<sup>1</sup></b> Incentivize and reward performance based on annual financial and non-financial measures consistent with the medium to long-term strategy, stakeholder interests and adherence to HSBC Values	<ul style="list-style-type: none"> <li>• All employees are eligible to be considered for a discretionary variable pay award. Individual awards are determined against balanced scorecard for performance for each role.</li> <li>• Annual incentives represent a higher proportion of total compensation for more senior employees and are more closely aligned to Group and business performance as seniority increases.</li> <li>• Variable pay awards for all Group employees identified as Material Risk Takers ('MRTs') under European Union Regulatory Technical Standard ('RTS') 604/2014 are limited to 200% of fixed pay.<sup>2</sup></li> <li>• Awards are generally paid in cash and shares. For MRTs, at least 50% of the awards are in shares.</li> <li>• A portion of the annual incentive award may be deferred and vest over a period of three to five years.</li> </ul>

<p><b>Deferral</b> Alignment with the medium to long-term strategy, stakeholder interests and adherence to the HSBC Values</p>	<ul style="list-style-type: none"> <li>• A Group-wide deferral approach is applicable to all employees. A portion of annual incentive awards above a specified threshold is deferred in shares vesting annually over a three-year period with 33% vesting on the first and second anniversaries of grant and 34% on the third anniversary.</li> <li>• For MRTs identified in accordance with the UK's PRA and FCA remuneration rules, awards are generally subject to a minimum 40% deferral (60% for awards of £500,000 or more) over a minimum period of three years.<sup>3</sup> A longer deferral period is applied for certain MRTs as follows: <ul style="list-style-type: none"> <li>– five years for individuals identified in a risk-manager MRT role under the PRA and FCA remuneration rules. This reflects the deferral period prescribed by both the PRA and the European Banking Authority for individuals performing key senior roles with the Group.</li> </ul> </li> <li>• Individuals based outside the UK who have not been identified at the Group level as an MRT, but who are identified as MRTs under local regulations, are generally subject to a three-year deferral period. Local MRTs are also subject to the minimum deferral rates discussed above.</li> <li>• Where an employee is subject to more than one regulation, the requirement that is specific to the sector and/or country in which the individual is working is applied, subject to meeting the minimum requirements applicable under each regulation.</li> <li>• All deferred awards are subject to malus provisions, subject to compliance with local laws. Awards granted to MRTs on or after 1 January 2015 are also subject to clawback.</li> <li>• HSBC operates an anti-hedging policy for all employees, which prohibits employees from entering into any personal hedging strategies in respect of HSBC securities.</li> </ul>
<p><b>Deferral instruments</b> Alignment with the medium to long-term strategy, stakeholder interests and adherence to the HSBC Values</p>	<ul style="list-style-type: none"> <li>• Generally, the underlying instrument for all deferred awards is HSBC shares to ensure alignment between the long-term interest of our employees and shareholders.</li> <li>• For Group and local MRTs, excluding executive Directors where deferral is typically in the form of shares only, a minimum of 50% of the deferred awards is in HSBC shares and the balance is deferred into cash.</li> </ul>
<p><b>Post-vesting retention period</b> Ensure appropriate alignment with shareholders</p>	<ul style="list-style-type: none"> <li>• Variable pay awards made in HSBC shares or linked to relevant fund units granted to MRTs are generally subject to a one-year retention period post-vesting. Local MRTs are also generally subject to a one-year retention period post-vesting.</li> <li>• MRTs who are subject to a five-year deferral period, except senior management or individuals in PRA- and FCA-designated senior management functions, have a six-month retention period applied to their awards.</li> </ul>

(1) Executive Directors are also eligible to be considered for a long-term incentive award.

(2) Shareholders approved the increase in the maximum ratio between the fixed and variable components of total remuneration from 1:1 to 1:2 at the 2014 AGM held on May 23, 2014 (98% in favour). The Group has not used the EBA discount rate for the purpose of computing the ratio between fixed and variable components of 2020 total remuneration.

(3) In accordance with the terms of the PRA and FCA remuneration rules, and subject to compliance with local regulations, the deferral requirement for MRTs is not applied to individuals where their total compensation is £500,000 or less and variable pay is not more than 33% of total compensation. For these individuals, the Group standard deferral applies.

### **Shareholding requirement**

All Group Managing Directors and executive Directors are expected to meet their shareholding guidelines within five years of the date of their appointment. The shareholding guidelines for Group Managing Directors have been updated from 250,000 shares to 250% of reference salary from January 1, 2019 to align with the approach used for executive Directors. The minimum shareholding requirement for Group General Manager, President and Chief Executive Officer was removed by the Group Remuneration Committee, as it was felt that unvested share awards held by Group General Managers provide sufficient alignment to shareholders.

Bank Directors and NEOs are not permitted to purchase financial instruments such as prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market

value of equity securities of the HSBC Holdings granted as compensation or held, directly or indirectly, by the NEO or Director.

### **Compensation governance structure**

Certain governance and disclosure requirements for compensation have been mandated by the Basel Committee on Banking Supervision's Pillar III requirements which have been adopted by OSFI as part of recommendations from the Financial Stability Review Board on compensation.

The Bank's approach is to define "Senior Management" as members of the Executive Committee ("ExCo"), consistent with the Bank's approach to identifying Senior Management for other disclosures. ExCo is the highest committee responsible for day-to-day management, comprised of the most senior officers of the Bank including the heads of business lines and functions. In 2020, this included 18 employees. We define MRTs as those identified under the PRA Rules by HSBC Holding plc. In 2020, there were 10 MRTs included in ExCo.

### ***Compensation practices promoting sound and effective risk management and supporting our business objectives***

Under our compensation framework, compensation decisions are made based on a combination of:

- Business results;
- Performance against strategic objectives set out in performance scorecards;
- Adherence to the HSBC values, business principles, Group risk-related policies and procedures and Global Standards;
- Individual performance; and
- Local market position and practice.

Risk, performance and reward, are subject to compliance with local laws and regulations:

### ***Alignment between risk and reward***

Framework elements	Application
<b>Variable pay pool and individual performance scorecard</b>	<p>The Group variable pay pool is expected to move in line with Group performance. We also use a countercyclical funding methodology, with both a floor and a ceiling, with the payout ratio generally reducing as performance increases to avoid pro-cyclicality. The floor recognizes that even in challenging times, remaining competitive is important. The ceiling recognizes that at higher levels of performance it is not always necessary to continue to increase the variable pay pool, thereby limiting the risk of inappropriate behaviour to drive financial performance.</p> <p>The main quantitative and qualitative performance and risk metrics used for assessment of performance include:</p> <ul style="list-style-type: none"> <li>• Group and business unit financial performance;</li> <li>• current and future risks, taking into consideration performance against the risk appetite statement ('RAS'), annual operating plan and global conduct outcomes;</li> <li>• fines, penalties and provisions for customer redress, which are automatically included in the Committee's definition of profit; and</li> <li>• assessment of individual performance through a balanced scorecard of clear and relevant objectives.</li> </ul> <p>Objectives included in the performance scorecard of senior management take into account appropriate measures linked to sustainability risks, such as: reduction in carbon footprint; facilitating financing to help clients with their transition to net zero; employee diversity targets; and risk and compliance measures. A mandatory global risk objective is included in the scorecard of all other employees. All employees receive</p>

	a behaviour rating as well as a performance rating, which ensures performance is assessed not only on what is achieved but also on how it is achieved.
<b>Remuneration for control function staff</b>	<ul style="list-style-type: none"> <li>• The performance and reward of individuals in control functions, including risk and compliance employees, are assessed using the performance scorecard framework that includes objectives specific to the functional role they undertake. This is to ensure their remuneration is determined independent of the performance of the business areas they oversee.</li> <li>• The Committee is responsible for approving the remuneration recommendations for the Group Chief Risk Officer and senior management in control functions.</li> <li>• Group policy is for control functions staff to report into their respective function. Remuneration decisions for senior functional roles are led by, and must carry the approval of, the global function head.</li> <li>• Remuneration is carefully benchmarked with the market and internally to ensure it is set at an appropriate level.</li> </ul>
<b>Variable pay adjustments and conduct recognition</b>	<ul style="list-style-type: none"> <li>• Variable pay awards may be adjusted downwards in circumstances including: <ul style="list-style-type: none"> <li>– detrimental conduct, including conduct that brings HSBC into disrepute;</li> <li>– involvement in events resulting in significant operational losses, or events that have caused or have the potential to cause significant harm to HSBC; and</li> <li>– non-compliance with the HSBC Values and other mandatory requirements or policies.</li> </ul> </li> <li>• Rewarding positive conduct may take the form of use of our global recognition program At Our Best, or positive adjustments to variable pay awards.</li> </ul>
<b>Malus</b>	<p>Malus can be applied to unvested deferred awards granted in prior years in circumstances including:</p> <ul style="list-style-type: none"> <li>• detrimental conduct, including conduct that brings the business into disrepute;</li> <li>• past performance being materially worse than originally reported;</li> <li>• restatement, correction or amendment of any financial statements; and</li> <li>• improper or inadequate risk management.</li> </ul>
<b>Clawback</b>	<p>Clawback can be applied to vested or paid awards granted to MRTs on or after 1 January 2015 for a period of five years in Canada. Clawback may be applied in circumstances including:</p> <ul style="list-style-type: none"> <li>• participation in, or responsibility for, conduct that results in significant losses;</li> <li>• failing to meet appropriate standards and propriety;</li> <li>• reasonable evidence of misconduct or material error that would justify, or would have justified, summary termination of a contract of employment; and</li> <li>• a material failure of risk management suffered by HSBC or a business unit in the context of Group risk-management standards, policies and procedures</li> <li>• Subject to compliance with local labour laws, the clawback policy allows us to recoup/reclaim paid awards in certain circumstances as defined by the PRA for a period of up to five-years from grant.</li> <li>• As previously mentioned, the Board is responsible for approving performance-based compensation by reference to corporate goals and objectives for the CEO, direct reports of the CEO and MRTs, and for recommending the reduction/cancellation or clawback of variable pay compensation previously awarded as required.</li> <li>• Based on 2020 performance, no malus or clawback were applied.</li> </ul>
<b>Sales incentives</b>	<ul style="list-style-type: none"> <li>• We do not operate commission-based sales plans in Canada.</li> </ul>



<b>Identification of MRTs</b>	<ul style="list-style-type: none"> <li>• We identify individuals as MRTs based on the qualitative and quantitative criteria set out in the RTS. We also identify MRTs based on additional criteria developed internally. The following key principles underpin HSBC's identification process: <ul style="list-style-type: none"> <li>– MRTs are identified at Group, HSBC Bank (consolidated) and HSBC UK Bank level.</li> <li>– MRTs are also identified at other solo regulated entity level as required by the regulations.</li> <li>– When identifying an MRT, HSBC considers an employee's role within its matrix management structure. The global business and function that an individual works within takes precedence, followed by the geographical location in which they work.</li> </ul> </li> <li>• In addition to applying the qualitative and quantitative criteria specified in the RTS, we also identify additional MRTs based on our own internal criteria, which include compensation thresholds and individuals in certain roles and grades who otherwise would not be identified as MRTs under the criteria prescribed in the RTS.</li> <li>• The list of MRTs, and any exclusions from it, is reviewed by chief risk officers and chief operating officers of the relevant global businesses and functions. The overall results are reviewed by the Group Chief Risk Officer.</li> <li>• The Group Remuneration Committee reviews the methodology, key decisions regarding identification, and the results of the identification exercise, including proposed MRT exclusions.</li> </ul>
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## Competitive Compensation Levels and Benchmarking

### *External Benchmarking*

Benchmarking provides an external reference to similarly situated executives in our comparator group but does not replace the analyses of internal pay equity and individual performance of the senior executive officers that HSBC also considers when making total compensation decisions. HSBC strives to maintain a total compensation program that attracts and retains qualified executives, with levels of total compensation that differ based on performance.

In 2020, HSBC Group approached Willis Towers Watson to provide market information for use during the annual pay review process. Willis Towers Watson was originally retained for this purpose in 2009. The Bank also approached McLagan Partners, Inc., for additional market information for the NEOs. McLagan Partners, Inc. was originally retained for this purpose in 2018.

### *Peer Group*

HSBC Group uses a select peer group when determining competitive market practices for the most senior positions. HSBC Group reviews the members of the peer group annually with input from external executive compensation consultants, adding or subtracting companies as necessary to ensure the companies in the group are representative of our industry, and compare to us in relative size and complexity of business operations.

In 2020, the CEO's peer group comprised of our global peers with comparable business operations in Canada. Most of these organizations are publicly held companies that compete with the Bank for business, customers and executive talent. In 2020, the following peer companies were considered:

Bank of America	Credit Suisse	Lloyds Banking Group
Barclays	DBS	Morgan Stanley
BNP Paribas	Deutsche Bank	Standard Chartered
Citigroup	JP Morgan Chase	UBS

Each NEO role was matched to the most appropriate benchmark role in the Canadian financial services sector with companies of a relative size of operations, etc. to ensure the relevance of the market data.

### ***Executive Compensation-Related Fees and Other Fees***

The aggregate fees paid to Willis Towers Watson for services provided apportioned to the Bank was approximately \$8,078 for 2020 and \$1,900 for 2019. No other services were provided to assist in the determination of the senior executive officers' compensation.

### ***Internal Benchmarking***

The Bank's senior executive officers' total compensation is reviewed internally at both local and global levels to ensure alignment across countries, business lines and functions, and also takes into consideration individual responsibilities, size and scale of the businesses the executives lead, and the contributions of each executive, along with geography and local labour markets. These factors are then calibrated for business and individual performance within their business environment and against the respective peer group. Further, the Board reviews and approves senior executive officers pay for the Canadian entity.

### **Evaluating 2020 Performance**

#### ***Achievement of Objectives***

Our most senior executive officers set objectives using a performance scorecard framework in which objectives are separated into two categories: financial and non-financial. Objectives are also aligned to strategic priorities including 1) Tap into emerging opportunities in fast growing segments, 2) Commercialize our investments in digital capabilities, people and products to deliver improved customer service; 3) Create capacity for investments through efficiency; and 4) Develop and empower our people. In performance scorecards, certain objectives have quantitative standards that may include meeting designated financial performance targets for the company, or the executive's function. Qualitative objectives may include key strategic business initiatives, including remediation goals, risk management, or projects for the company or executive's function. Quantitative and qualitative objectives helped inform 2020 total compensation decisions. Financial objectives, as well as other objectives relating to efficiency and risk mitigation, customer development and the productivity of human capital are all measures of performance that may influence reward levels. Employees are assessed on performance ratings (Top Performer, Strong Performer, Good Performer and Inconsistent Performer), and values-aligned behaviour ratings (Role Model, Strong, Good and Unacceptable).

In addition, there is a process to identify behavioural transgressions for all employees during the year. These reviews determine whether there are any instances of non-compliance with Group policies and procedures (including risk), non-adherence to HSBC values and other behaviours. Non-compliance is escalated to Senior Management, the Board and/or RemCo, where appropriate, for consideration in variable pay decisions. Consideration is given to whether adjustments, malus and/or clawback should apply, and in certain circumstances whether employment should continue.

Determination of pay awards for 2020 performance considered the overall achievement of objectives. To make that evaluation, the Committee and the Board received reports from management on the achievement of 2020 corporate, business unit and individual objectives. Following this assessment, the Committee, the Board and/or other Senior Management members approved or revised the original recommendations.

#### ***Assessment of Individual Performance***

In addition to the quantitative and qualitative performance measures outlined above, the performance of each NEO was evaluated against an individual performance scorecard which includes financial and non-financial objectives specific for the business or function which they led. Each executive's individual performance and contribution is considered in determining the amount of discretionary variable awards to be paid each year.

### **Sandra J. Stuart, Retired Group General Manager, President and Chief Executive Officer**

In Ms. Stuart's final eight months as Chief Executive Officer, she led the Bank through the unprecedented challenges presented by COVID-19. The Bank's financial performance in 2020 was impacted by economic headwinds caused by the pandemic, as increased expected credit losses and decreased operating income resulted in profit before tax of \$404m, a decline of 50% from 2019. This is despite strong cost discipline, an improved economic outlook in the second half which led to lower expected credit losses, and steady increases in non-interest income. Across our lines

of businesses, Commercial Banking (“CMB”) delivered \$297m profit before tax with more customers using our full suite of services; in Global Banking and Markets (“GBM”), profit before tax was \$135m as client activity and income increased across all products – most notably in Markets trading and sales, lending and underwriting; finally, Wealth and Personal Banking (“WPB”) delivered \$70m in profit before tax with strong growth in total relationship balances, healthy non-interest income and growth in our international client base.

Under Ms. Stuart’s leadership, our lines of businesses and functions worked collectively to support the needs of our customers, employees and the community throughout the early months of the pandemic. Key achievements include: moved approximately 95% of office-based employees to remote working virtually overnight; established new systems to facilitate government loan programs for our business customers and loan deferral programs for individuals that were struggling financially because of the lockdowns; accelerated the availability of the digital services that are now truly essential; all while maintaining strong cost discipline, resulting in essentially flat costs compared to 2019. In addition to these achievements, the Bank’s employee satisfaction scores improved year-on-year and both our retail and commercial banking segments exceeded performance targets on customer satisfaction scores. The above key achievements are underpinned by a strong risk management culture and tone from the top.

Ms. Stuart retired from the Bank as of September 1 2020, with Ms. Seymour to succeed as the new Group General Manager, President and Chief Executive Officer of HSBC Canada.

### **Linda Seymour, Group General Manager, President and Chief Executive Officer**

Despite a challenging operating environment brought on by the COVID-19 pandemic, Commercial Banking maintained its strong risk management, focus on returns and effective cost control under Ms. Seymour’s leadership in 2020.

While the financial performance was impacted in 2020, Ms. Seymour kept the business focused on supporting customers and employees during a period of unparalleled uncertainty caused by the pandemic. Commercial Banking provided relief in the form of payment deferrals and government schemes to its customers during the year. In addition, Ms. Seymour executed on strategic priorities to commercialize investments in digital capabilities, transform the business and to increase its agility and customer centricity.

Commercial Banking pioneered Canada’s first ever Green Loan in July 2020 with a US\$52 million financing that adheres to the global Green Loan Principles (GLP). For the year, Green Loans topped \$500 million for Commercial Banking driven in part by more established sustainability and regulatory frameworks in the sector. As announced in October 2020, HSBC is aiming to align its financed emissions – the carbon emissions of portfolio of customers – to the Paris Agreement goal to achieve net zero by 2050 or sooner. Our global ambition is to facilitate between US\$750 billion and US\$1 trillion of finance and investment by 2030 to help clients with their transition.

Commercial Banking maintained its industry recognitions once again in 2020 nominated #1 Trade Finance Bank in Canada, and #1 in service quality in Canada - Euromoney Market Leader 2020, #1 Regional Cash Manager for Corporates in North America - Euromoney Cash Management Survey 2020 and Best Bank for Cash & Liquidity Management – North America, and Best Bank for Trade Finance & Financial Supply Chain – North America - TMI Awards for Innovation & Excellence 2020. Investments continued in 2020 and were centered around enhancing customer experience, reducing risk and maintaining HSBC’s leadership position in transaction banking solutions.

The Commercial Banking business continued to successfully meet all milestones related to regulatory transformation and implementation of its financial crime and regulatory compliance frameworks.

Ms. Seymour was appointed as President and Chief Executive Officer of HSBC Canada, effective September 1, 2020. During the last third of 2020, Ms. Seymour led the review of the Bank’s strategic priorities in response to material changes in the external environment. Ms. Seymour presented a strategy update to the HSBC Canada Board in Q4 2020, which outlined near-term strategic priorities to enhance our commitments made in the three-year Country Strategic Plan. Our strategic priorities focus on delivering more to our customers as One Bank and capturing opportunities in fast-growing segments, while continuing to maintain a strong cost discipline. The strategy update received full support from the Board, and has now progressed into planning and execution.

### **Gerhardt Samwell, Chief Financial Officer**

All segments under the responsibility of Mr. Samwell, Chief Financial Officer were effectively managed, with finance expenses delivered favourably against plan, and entity operating expenses subject to strong cost discipline to allow for investment. Notable contributions to the Bank also include leading efforts to further strengthen the balance sheet in the light of the pandemic, providing insights to enhance business performance, successfully managing the finance function while operating under the business continuity plan, and advancing critical projects and digital transformation initiatives against key milestones.

Mr. Samwell also ensured the accuracy and timely delivery of all regulatory, financial, and tax reporting, including additional reporting requirements introduced in the light of the pandemic. He oversaw compliance with policies and procedures to maintain and strengthen the internal control framework over financial reporting. The Bank ended the year in a strong capital position, with a Common Equity Tier 1 ratio of 13.7% and leverage ratio of 6%, and a strong average liquidity ratio of 188% in the fourth quarter of 2020.

### **Larry Tomei, EVP, Head of Wealth & Personal Banking**

Mr. Tomei continues to successfully lead the transformation of WPB into a client-focused franchise in the competitive Canadian financial services market. Under his leadership, WPB mitigated the impacts of the COVID-19 pandemic, delivered a resilient performance for its key stakeholders and pursued the execution of its strategic plan.

Throughout the unprecedented circumstances of 2020, Mr. Tomei kept WPB's distribution channels open and operational, ensured the health and safety of employees and provided solutions for clients in need of financial relief. Mr. Tomei accelerated deployment of digital capabilities, transformation of our distribution channels and continuous improvements to WPB operating model helped to enhance client experience as reflected in solid net promoter score. As a result of these initiatives, WPB grew its overall and international client base and achieved record net sales during the year.

Expense management and disciplined capital and risk management remained top priorities for the business and Mr. Tomei in 2020. Cost control and efficiency gains helped to absorb the unfavourable impacts of a deteriorated credit environment and non-controllable macro-economic factors.

### **Scott Lampard, EVP and Managing Director ("MD") Head of Global Banking**

Mr. Lampard was Head of Global Markets before being appointed Head of Global Banking effective August 17, 2020. He delivered strong results in 2020, successfully managing the business through the COVID-19 pandemic crisis and delivering on his balanced scorecard. Notable accomplishments include year-over-year gains in client business with strong operating performance across client sectors. Global Banking increased its Credit and Lending activities in support of its clients during the COVID-19 pandemic and also experienced growth in Global Liquidity and Cash Management activities, strategic financing and advisory transactions.

Mr. Lampard was appointed CEO, Ultimate Designated Person and Board Chair of HSBC Securities (Canada) Inc. and as a member of HSBC Global Asset Management (Canada) Limited's Board of Directors in August 2020. He is actively engaged in talent development serving as a mentor for staff across the Bank and region.

### **Andrew D. Cherry, Head of Global Markets**

Mr. Cherry produced significant year over year gains in Global Markets performance and successfully represented all areas of his balanced scorecard. Notable accomplishments include producing a new high water mark in Rates & Credit trading revenue and strong gains in CMB collaboration revenues deriving from increased penetration of FX products.

In 2020, Mr. Cherry was appointed Head of Global Markets, Canada effective August 17, 2020. Previous to this role he served as Head of Fixed Income Trading for Canada. Mr. Cherry managed the Graduate Program for Global Markets in Canada and mentors staff in Canada and the region.

## SUMMARY COMPENSATION TABLE

The following table details the total compensation awarded to, earned by, or paid as of December 31<sup>st</sup> to each NEO over the past three fiscal years.

Name and principal position	Year	Salary <sup>(1)</sup> (\$)	Share Based Awards <sup>(2) (3)</sup> (\$)	Option-Based Awards (\$)	Non-equity incentive plan compensation (\$)		Pension value <sup>(5)</sup> (\$)	All other Compensation <sup>(6)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plan <sup>(3)</sup>	Long-Term Incentive Plans			
Stuart, Sandra J. <sup>(7)</sup> Group General Manager, President and Chief Executive Officer	2020	\$968,221	Nil	Nil	Nil	Nil	-\$38,817	-	\$929,404
	2019	\$1,225,000	\$901,286	Nil	\$901,286	Nil	\$103,446	\$56,762	\$3,187,780
	2018	\$1,225,000	\$901,285	Nil	\$901,285	Nil	\$388,118	\$57,488	\$3,473,177
Seymour, Linda <sup>(8)</sup> Group General Manager, President and Chief Executive Officer	2020	\$1,098,139	\$521,707	Nil	\$521,707	Nil	\$3,463,486	\$52,872	\$5,657,910
	2019	\$784,380	\$500,000	Nil	\$500,000	Nil	\$737,707	-	\$2,522,087
	2018	\$626,772	\$474,200	Nil	\$474,200	Nil	\$699,867	-	\$2,275,039
Samwell, Gerhardt <sup>(9)</sup> Chief Financial Officer	2020	\$342,692	\$92,760	Nil	\$92,760	Nil	\$49,888	-	\$578,100
	2019	\$330,000	\$92,760	Nil	\$92,760	Nil	\$49,050	-	\$564,570
	2018	\$297,692	\$132,515	Nil	\$132,515	Nil	\$38,879	-	\$594,678
Tomei, Larry <sup>(10)</sup> EVP, Head of Wealth & Personal Banking	2020	\$695,769	\$350,000	Nil	\$350,000	Nil	\$43,142	-	\$1,438,911
	2019	\$670,000	\$449,437	Nil	\$449,437	Nil	\$42,578	-	\$1,611,452
	2018	\$661,538	\$444,953	Nil	\$444,953	Nil	\$92,166	-	\$1,643,610
Lampard, Scott <sup>(11)</sup> EVP and MD, Head of Global Banking	2020	\$830,769	\$269,268	Nil	\$269,268	Nil	\$19,832	-	\$1,389,137
	2019	\$780,769	\$358,819	Nil	\$358,819	Nil	\$18,914	-	\$1,517,323
	2018	\$700,000	\$423,735	Nil	\$423,735	Nil	\$18,271	-	\$1,565,741
Cherry, Andrew D. <sup>(12)</sup> Head of Global Markets	2020	\$398,923	\$178,366	Nil	\$178,366	Nil	\$179,886	-	\$935,540
	2019	\$366,000	\$166,500	Nil	\$166,500	Nil	\$10,105	-	\$709,105
	2018	\$360,616	\$208,991	Nil	\$208,991	Nil	-\$1,886	-	\$776,712

(1) Salary includes base salary plus a fixed pay allowance paid in cash for all NEOs with the exception of Mr. Samwell. Ms. Seymour's 2020 salary increased upon appointment to CEO designate in June 2020 and Messrs. Lampard and Cherry's salaries increased upon appointments in August 2020.

(2) Shared based award values are the dollar amounts designated to purchase HSBC Holdings restricted shares at or about the time of release. For deferred share awards, the dollar amounts are equal to the fair value determined in accordance with IFRS 2, amortized over the expected vesting period, generally over three to five years in Canada. Effective 2017, restricted shares are no longer eligible to accrue dividends during the deferral period under new European Banking Authority (EBA) Guidelines.

(3) In 2020, variable pay pools were reduced to reflect lower profits by HSBC Group and HSBC Canada in 2020 as a result of COVID-19, challenging economic conditions and other factors.

(4) No NEOs were awarded long-term incentive awards in 2018-2020.

(5) Pension value represents the employer contributions for each year for the different pension plans. Ms. Stuart and Seymour are members of HSBC's defined benefit plans. Ms. Stuart retired on September 1, 2020, when she commenced a monthly pension for Plan A and her Supplemental Agreement, and received a lump sum payout from Plan B. Ms. Stuart's compensatory change reflects the cost of a partial year of benefits plus the decrease in defined benefit obligation due to her retirement. Ms. Stuart's non-compensatory change reflects the impact of assumption changes described above, interest cost, as well as the payout of her liability from Plan B. Ms. Seymour's compensatory change is composed of the cost of earning an additional year of benefits plus the increase in the defined benefit obligation due to salary growth.

(6) All other Compensation: dashes in column reflect perquisites that have been paid but are not reportable as, in aggregate, they are worth less than \$50,000 and less than 10% of a NEO's total salary as reported in table. Senior executive officers participate in the same benefits choices program as all other employees of the Bank. Senior executive officers also participate in the Executive Choices program which provides an annual Executive Choices Account ("ECA"). The value of the ECA ranges from \$17,000 to \$45,000 depending on role. Senior executive officers are also eligible to receive employer paid-parking benefit. The cost of parking varies by location and is taxable based on Canada Revenue Agency guidelines.

(7) Ms. Stuart was ineligible to receive variable pay due to retirement. In prior years, Ms. Stuart had 60% of her variable pay awards deferred for a five-year period based on MRT status.

(8) In 2020, Ms. Seymour was appointed CEO designate in June and was formally appointed GGM & CEO effective September 1<sup>st</sup>. Ms. Seymour has 60% of her variable pay awards deferred for a five-year period based on MRT status.

(9) In 2018, Mr. Samwell was appointed CFO effective July 1<sup>st</sup>. The 2018 amounts represent compensation earned in the calendar year, including additional re-stated earnings of \$6,923. Mr. Gerhardt has 40% of his variable pay awards deferred for a three-year period based on MRT status.

(10) Mr. Tomei has held his current position since October 2016 when he joined the bank. Mr. Tomei has 40% of his variable pay awards deferred for a three-year period based on MRT status.

(11) Mr. Lampard was appointed EVP and MD, Head of Global Banking and became a NEO of the Bank in 2020. Mr. Lampard had 40% of his 2020 variable pay award deferred for a five-year period, whereas his prior years award were deferred for three-year period based on MRT status.

(12) Mr. Cherry was appointed Head of Global Markets and became a NEO of the Bank in 2020. Mr. Cherry has 40% of his variable pay awards deferred for a three-year period based on MRT status.

Note: Ms. Stuart has outstanding deferred cash payouts totaling \$1,263,668, Ms. Seymour has \$665,369, Mr. Samwell has \$73,069, Mr. Tomei has \$504,974, Mr. Lampard has \$343,789 and Mr. Cherry has \$122,610.

## INCENTIVE PLAN AWARDS

### OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table sets forth, for each NEO, all awards outstanding as at December 31, 2020:

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities underlying unexercised options (#)	Option exercise price \$	Option Expiration Date	Value of unexercised in-the-money options (\$)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) <sup>(1)</sup>	Market or payout value of vested share-based awards not paid out or distributed (\$)
S. Stuart	-	-	-	-	138,725	912,894	Nil
L. Seymour	-	-	-	-	73,803	485,668	Nil
G. Samwell	-	-	-	-	8,607	56,639	Nil
L. Tomei	-	-	-	-	54,202	356,682	Nil
S. Lampard	-	-	-	-	35,625	234,434	Nil
A. Cherry	-	-	-	-	17,942	118,069	Nil

(1) Calculated based on the closing price of the HSBC Holdings shares on December 31, 2020 on the London Stock Exchange of £ 3.7885 and based on the exchange rate for UK pounds sterling to Canadian dollars on such date of 1.7369.

### Incentive plan awards – value vested or earned during the year

The following table sets forth, for each NEO, all awards that have vested during the year ended December 31, 2020:

Name	Option-based awards Value vested during the year (\$)	Share-based awards Value vested during this year (\$) <sup>(1)</sup>	Non-Equity incentive plan compensation - value earned during this year (\$)
S. Stuart <sup>(2)</sup>	Nil	387,130	-
L. Seymour <sup>(3)</sup>	Nil	210,684	\$521,707
G. Samwell <sup>(4)</sup>	Nil	54,402	\$92,760
L. Tomei <sup>(5)</sup>	Nil	251,833	\$350,000
S. Lampard <sup>(6)</sup>	Nil	258,933	\$269,268
A. Cherry <sup>(7)</sup>	Nil	151,288	\$178,366

(1) Calculated based on the closing price of the HSBC Holdings shares on December 31, 2020 on the London Stock Exchange of £3.7885 and based on the exchange rate for UK pounds sterling to Canadian dollars on such date of 1.7369.

(2) Amount does not include Deferred Cash of \$217,026 that was earned in previous years and paid during 2020.

(3) Amount does not include Deferred Cash of \$113,884 that was earned in previous years and paid during 2020.

(4) Amount does not include Deferred Cash of \$17,622 that was earned in previous years and paid during 2020.

(5) Amount does not include Deferred Cash of \$208,581 that was earned in previous years and paid during 2020.

(6) Amount does not include Deferred Cash of \$185,684 that was earned in previous years and paid during 2020.

(7) Amount does not include Deferred Cash of \$27,794 that was earned in previous years and paid during 2020.

## PENSION PLAN BENEFITS

### Defined Benefit Plans Table

The following table summarizes the accrued pension obligations and annual pension benefits of the NEOs:

Name	Number of years credited service (#)	Annual benefits payable (\$)		Opening present value of defined benefit obligation (\$)	Compensatory Change (\$)	Non-compensatory Change (\$)	Closing present value of defined benefit obligation (\$)
		At year end	At age 65				
S. Stuart	33.8	551,891	N/A	12,038,490	(38,817)	(35,519)	11,964,154
L. Seymour	29.0	348,857	526,822	5,501,610	3,463,486	590,624	9,555,720
A. Cherry	25.0	63,256	97,377	1,149,511	179,886	123,157	1,452,554

Notes:

- All Canadian pension dollar amounts have been calculated using the assumptions and methods disclosed in Note 5 to the Bank's consolidated financial statements for the year ended December 31, 2020.
- Messrs. Lampard, Tomei, and Samwell are reported under the Defined Contribution plans table.

### Canadian Defined Benefit Pension Plans

For the purpose of the disclosure below on the Canadian defined benefit pension plans, "earnings" means base salary excluding all variable pay.

#### *Plan A*

Ms. Stuart is a retired member of HSBC Pension Plan A - Defined Benefit Program. The normal retirement date under this plan for an executive is the first day of the month on or following the executive's 60<sup>th</sup> birthday. An executive can retire at any time after reaching age 50. Ms. Stuart retired on September 1, 2020 and commenced receipt of her Plan A pension.

For an executive retiring early, the pension reduction is  $\frac{1}{4}$  of 1% for each month that the retirement date is before age 60, and if the executive retires prior to age 55 the pension will be reduced by an additional  $\frac{1}{4}$  of 1% for each month that the retirement date is before age 55.

The normal form of pension is payable for the executive's life, with a guarantee of 10 years.

Under this plan, the pension is calculated using a formula based on earnings and years of contributory and/or non-contributory service. For the purposes of the Plan A formulae below:

- Highest Average Earnings ("HAE") means for executive service the average of the highest three consecutive years' earnings in the last 10 years of membership and for non-executive service the average of the highest five consecutive years' earnings in the last 10 years of membership.
- The Year's Maximum Pensionable Earnings ("YMPE") means the earnings maximum used under the Canada/Quebec Pension Plan to determine contributions and benefits. The YMPE in 2020 is \$58,700.
- The Final Government Maximum Earnings ("FGME") means the average of the YMPE during the last 3 years of membership.

The pension payable to an executive at their normal retirement age before any reduction for early retirement, and the application of the maximum annual pension prescribed by the *Income Tax Act* for Plan A credited service is as follows:

- For contributory service prior to January 1, 1987, the formula used to determine pension benefits is 1.25% of HAE up to the FGME, plus 1.75% of HAE above the FGME multiplied by years of contributory service.
- For non-contributory service for non-executives January 1, 1987 onward and for non-contributory executive service for year 1987 only, it is 0.8% of HAE up to the FGME, plus 1.2% of HAE over the FGME multiplied by years of non-contributory service
- For contributory service January 1, 1987 onward, the formula used to determine pension benefits is 1.3% of HAE up to the FGME, plus 2.0% of HAE over the FGME multiplied by years of contributory service.
- For non-contributory executive service, from January 1, 1988 onward, the formula used to determine pension benefits is 1.0% of HAE up to the FGME, plus 1.5% of HAE over the FGME, multiplied by years of non-contributory executive service.

### ***Plan B***

Ms. Stuart also had past service in HSBC Pension Plan B. The normal retirement date under this plan for an executive is the first day of the month on or following the executive's 60<sup>th</sup> birthday. An executive can retire at any time after reaching age 50. Ms. Stuart retired on September 1, 2020 and an annuity was purchased in respect of her Plan B pension.

For an executive retiring early, the pension is actuarially reduced from age 60.

The normal form of pension is payable for the executive's life, with 66.67% continuing to the executive's spouse upon the executive's death.

Under this plan, the pension is calculated using a formula based on earnings and years of service. For the purposes of the Plan B formulae below:

- Highest Average Earnings ("HAE") means the average of the highest five consecutive years' earnings.
- The Year's Maximum Pensionable Earnings ("YMPE") means the earnings maximum used under the Canada/Quebec Pension Plan to determine contributions and benefits. The YMPE in 2020 is \$58,700.
- The Final Government Maximum Earnings ("FGME") means the average of the YMPE during the same period of membership over which the HAE is calculated.

The pension payable to an executive at their normal retirement age before any reduction for early retirement, and the application of the maximum annual pension prescribed by the *Income Tax Act* for Plan B credited service is as follows:

- For service for non-executives January 1, 1986 onward, it is 1.0% of HAE up to the FGME, plus 1.35% of HAE over the FGME multiplied by years of service.
- For executive service, from January 1, 1986 onward, the formula used to determine the minimum pension benefit is 1.2% of HAE up to the FGME, plus 2.0% of HAE over the FGME, multiplied by years of executive service.

### ***Plan C***

Ms. Seymour and Mr. Cherry are members of HSBC Pension Plan C.

Ms. Seymour is an executive member of HSBC Pension Plan C. The normal retirement date under this plan is the first day of the month on or following the executive's 60<sup>th</sup> birthday. An executive can retire at any time after reaching age 50.



For an executive who is an active member retiring early, the pension reduction is  $\frac{1}{4}$  of 1% for each month that the retirement date is before age 60, and if the executive retires prior to age 55 the pension will be reduced by an additional  $\frac{1}{4}$  of 1% for each month that the retirement date is before age 55.

Mr. Cherry is a non-executive member of HSBC Pension Plan C. The normal retirement date under this plan is the first day of the month on or following the member's 62<sup>nd</sup> birthday. A member can retire at any time after reaching age 50 with the consent of the Bank.

For an active member retiring early with the consent of the Bank, the pension is reduced by the product of the appropriate percentage in the following table and the number of completed months by which his early retirement date precedes his normal retirement date:

<b>Sum of Member's Age and Continuous Service at Early Retirement Date</b>	<b>Applicable Percentage</b>
85 or greater	$\frac{1}{4}$ of 1%
80 but less than 85	$\frac{1}{3}$ of 1%
75 but less than 80	$\frac{5}{12}$ of 1%
Less than 75	$\frac{1}{2}$ of 1%

For a member without a spouse at retirement, the normal form of pension is payable for the member's life, with a guarantee of 10 years. For a member with a spouse at retirement, the normal form of pension is payable for the member's life, with 60% continuing to the member's spouse upon the member's death.

Under this plan, the pension is calculated using a formula based on earnings and years of contributory and/or non-contributory service. For the purposes of the Plan C formulae below:

- Highest Average Earnings ("HAE") means the average of the highest 3 years of earnings in the last five years of membership.
- The Year's Maximum Pensionable Earnings ("YMPE") means the earnings maximum used under the Canada/Quebec Pension Plan to determine contributions and benefits. The YMPE in 2020 is \$58,700.
- The Final Government Maximum Earnings ("FGME") means the average of the YMPE during the same period of membership over which the HAE is calculated.
- Estimated CPP Benefit means the estimated annual Canada/Quebec Pension Plan benefit payable based on the YMPE and service.

The pension payable to member at their normal retirement age before any reduction for early retirement, and the application of the maximum annual pension prescribed by the *Income Tax Act* for Plan C credited service is as follows:

- The non-contributory formula for service as a non-executive is 1.25% of HAE, reducing at age 65 by the estimated CPP Benefit in respect of non-contributory service while a non-executive member.
- The non-contributory formula for service as an executive is the greater of 1.25% of HAE and the sum of 1.0% of HAE and 0.5% of HAE in excess of the FGME.
- For contributory service the formula is 2.0% of HAE, reducing at age 65 by the estimated CPP Benefit multiplied by years of contributory service.

### **Canadian Supplemental Retirement Agreement**

Mses. Stuart and Seymour are entitled, upon retirement from the Bank, to receive an annual pension during their lifetime pursuant to a supplemental retirement agreement with the Bank. The normal retirement date under the supplemental retirement agreements is the first day of the month on or following the executive's 60<sup>th</sup> birthday. An executive can retire at any time after reaching age 55. For an executive retiring early, the pension reduction is  $\frac{1}{4}$  of

1% for each month that the pension start date is before age 60. Ms. Stuart retired on September 1, 2020 and commenced receipt of her supplemental pension.

The normal form of pension is payable for the executive's life, with a guarantee of 10 years.

The supplemental pension payable at an executive's normal retirement date is equal to the total pension calculated using the formulae below minus the pension that can be provided from the Canadian defined benefit pension plans described above. Under the supplemental retirement agreements, the pension is calculated using a formula based on earnings and years of contributory and/or non-contributory service. For the purposes of the formulae below, the relevant definitions for each of the Plans applies.

As of December 31, 2020, the total pension at an executive's normal retirement date equals the following amounts, all calculated without regard to the application of the maximum annual pension prescribed by the *Income Tax Act*:

- The formula for years of executive contributory service is 1.8% of HAE up to the FGME, plus 2.5% of HAE over the FGME.
- The formula for years of executive non-contributory service is 1.6% of HAE up to the FGME, plus 2.3% of HAE over the FGME.
- The formula for years of non-executive service is the formula under the applicable Canadian defined benefit pension plans described above.

The supplemental allowance is forfeited if the executive leaves before age 55 and engages within two years after such termination of employment in any activity, which may be regarded by the Bank as competitive solicitation, directly or indirectly, of clients, prospective clients, or staff of the Bank, or of its subsidiaries and affiliates.

### Defined Contribution Plans Table

The following table summarizes the accumulated value of defined contribution plan benefits applicable to the NEOs:

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at year end (\$)
G. Samwell	112,002	49,888	180,802
S. Lampard	147,748	19,832	195,879
L. Tomei	358,823	43,142	437,121

Notes:

- All amounts are in Canadian Dollars.
- Ms. Stuart and Seymour and Mr. Cherry are reported under the above Defined Benefit plans table.

### Canadian Defined Contribution Pension Plan

For the purpose of the disclosure below on the Canadian defined contribution pension plan, "earnings" means base salary including variable pay.

Mr. Tomei, Mr. Lampard, and Mr. Samwell are all senior members of the HSBC Pension Plan A - Defined Contribution Program. Senior members contribute 2% and the Bank contributes 12% of pensionable earnings, subject to the annual Money Purchase Maximum limit as prescribed by the *Income Tax Act*. In 2020 the annual maximum for both employee and employer contributions was \$27,830. The benefit payable upon termination of employment will equal the senior member's total defined contribution account balance.

### Canadian Defined Contribution Supplemental Employees' Retirement Plan ("DC SERP")

Mr. Tomei and Mr. Samwell are members of the DC SERP established by the Bank for members whose contributions under the HSBC Pension Plan A – Defined Contribution Program are restricted by the annual Money Purchase

Maximum limit under the *Income Tax Act*. Notional contributions equal to 12% of pensionable earnings, in excess of the Money Purchase Maximum limit, are credited to the members' notional accounts. The pensionable earnings under the DC SERP are limited to \$500,000 in a plan year. Notional investment earnings are credited based on returns of the default investment fund offered under HSBC Pension Plan A – Defined Contribution Program. The DC SERP benefit will become vested upon the member's attainment of age 55 and 10 years of continuous service with the Bank. Upon meeting the vesting requirements, the benefit payable upon termination of employment will be equal to the member's notional account balance. The DC SERP benefit is forfeited if the member terminates employment with the Bank prior to age 60 and commences employment with another organization deemed to be a competitor of the Bank.

### Canadian Supplemental Retirement Agreement

Mr. Tomei also has a notional Supplemental DC Account maintained by the Bank. Annual Notional Contributions equal to \$22,000 will be credited to his Supplemental DC Account. In addition, Notional Contributions of \$100,000 and \$50,000 were credited to his Supplemental DC Account Balance on January 1, 2017 and January 1, 2018 respectively to compensate Mr. Tomei for the forfeiture of a supplemental retirement plan with a prior employer. There are no conditions on the two Notional Contributions of \$100,000 and \$50,000. Notional Interest is credited based on the returns of the default investment fund offered under HSBC Pension Plan A – Defined Contribution Program. The benefit will be paid in 10 annual installments commencing on Mr. Tomei's date of termination of employment. The supplemental allowance is forfeited if Mr. Tomei leaves before age 55 and engages within two years after such termination of employment in an activity which may be regarded by the Bank as competitive solicitation, directly or indirectly, of clients, prospective clients or staff of the Bank or of its subsidiaries or affiliates.

Mr. Tomei will be entitled to the greater of the benefits provided by his Canadian Supplemental Retirement Agreement and his DC SERP, but not both.

### TERMINATION AND CHANGE OF CONTROL BENEFITS

The table below summarizes the conditions applicable to the NEO compensation in the event of termination (resignation, termination with or without cause, retirement and change of control):

Events	Compensation elements	Conditions*
<b>Resignation/ Termination with Cause</b>	<b>Base Salary</b>	Cessation of salary.
	<b>Variable Pay</b>	Become ineligible to receive variable pay if notice given or employment is terminated prior to award payment date.
	<b>Share Based Awards</b>	Unvested deferred shares units are cancelled.
	<b>Non-equity Awards</b>	Unvested deferred cash awards are cancelled.
	<b>Pension plans</b>	Entitled to accrued pension. Supplemental plan: Entitled to accrued pension subject to conduct provisions.
	<b>Benefits and Perquisites</b>	Cessation of current benefits.
<b>Termination without Cause</b>	<b>Base Salary</b>	Cessation of salary. Pay in lieu of notice is provided as required by law.
	<b>Variable Pay</b>	In general, become ineligible to receive variable pay if employment is terminated prior to award payment date.
	<b>Share Based Awards</b>	Unvested deferred shares units: Full vesting (in accordance with the original vesting schedule) based on "good leaver" status. For mutual separation, a non-compete agreement is required in addition of the good leaver status.
	<b>Non-equity incentive Awards</b>	Unvested deferred shares units: Full vesting (in accordance with the original vesting schedule), based on "good leaver" status. For mutual separation, a non-compete agreement is required in addition of the good leaver status.
	<b>Pension plans</b>	Entitled to accrued pension. Supplemental plan: Entitled to accrued pension subject to conduct provisions.
	<b>Benefits and Perquisites</b>	Cessation of current benefits.
<b>Retirement</b>	<b>Base Salary</b>	Cessation of salary.
	<b>Variable Pay</b>	In general, become ineligible to receive variable pay if notice given or employment is terminated prior to award payment date.
	<b>Share Based Awards</b>	Unvested deferred shares units: Full vesting (in accordance with the original vesting schedule) based on "good leaver" status.

	<b>Non-equity incentive Awards</b>	Unvested deferred cash awards: Full vesting (in accordance with the original vesting schedule) based on “good leaver” status and non-compete agreement is signed.
	<b>Pension plans</b>	Entitled to accrued pension. Supplemental plan: Entitled to accrued pension subject to conduct provisions.
	<b>Benefits and Perquisites</b>	Cessation of current benefits. If eligible, Retiree Benefits will come into effect.
<b>Termination following a Change of Control</b>	<b>Base Salary</b>	Cessation of salary. Pay in lieu of notice is provided as required by law.
	<b>Variable Pay</b>	In general, become ineligible to receive variable pay if notice of resignation given or employment is terminated prior to award payment date.
	<b>Share Based Awards</b>	Awards vest on change of control unless RemCo has agreed and determined that the awards should be exchanged for equivalent awards.
	<b>Non-equity incentive Awards</b>	Awards vest on change of control unless RemCo has agreed and determined that the awards should be exchanged for equivalent awards.
	<b>Pension plans</b>	Entitled to accrued pension. Supplemental plan: Entitled to accrued pension subject to conduct provisions.
	<b>Benefits and Perquisites</b>	Cessation of current benefits.

\*No additional payments and benefits are triggered by these events in Canada.

## ADDITIONAL INFORMATION ON COMPENSATION

Certain additional information is provided in accordance with the Basel Committee on Banking Supervision’s Pillar III disclosure requirements which has been adopted by the OSFI Canada as part of recommendations from the Financial Stability Review Board on compensation. The qualitative disclosure requirements have been provided in the Executive Compensation section of the AIF set out above.

For the purpose of the quantitative tables below, “Senior Management” includes the CEO and members of the Bank’s Executive committee. In 2020, 18 people were part of the Executive committee. The Executive committee includes 10 people who are MRTs. In addition, there was an additional group of MRTs not included in the Executive committee who have been defined as set out in the Executive Compensation section noted above. Seven people were identified MRTs based on the alignment with Group definition. In keeping with the Financial Stability Review Board’s principles and standards a significant portion of variable compensation for Senior Management and MRTs has been deferred over a period of years.

All amounts provided in the tables below are set out in \$000s.

Remuneration - Fixed and Variable amounts	December 31, 2020			December 31, 2019		
	Senior Management (18 People)	Material Risk Takers (7 People)	Total (25 People)	Senior Management (16 People)	Material Risk Takers (12 People)	Total (28 People)
<b>FIXED</b>	<b>7,341</b>	<b>1,889</b>	<b>9,230</b>	<b>7,460</b>	<b>4,362</b>	<b>11,822</b>
Cash Based (incl. FPA Cash) <sup>(1)</sup>	7,341	1,889	9,230	7,460	4,362	11,822
<b>VARIABLE <sup>(2)</sup></b>	<b>4,402</b>	<b>1,219</b>	<b>5,621</b>	<b>8,094</b>	<b>4,039</b>	<b>12,133</b>
Cash	2,016	438	2,453	2,640	1,212	3,852
Non-deferred shares <sup>(3)</sup>	824	330	1,154	1,504	1,212	2,715
Deferred Cash	723	220	943	1,885	808	2,693
Deferred Shares	839	232	1,071	2,066	808	2,873
Deferred Remuneration	December 31, 2020			December 31, 2019		
	Senior Management	Material Risk Takers	Total	Senior Management	Material Risk Takers	Total
<b>Total outstanding, unvested <sup>(4)</sup></b>	<b>6,420</b>	<b>1,261</b>	<b>7,681</b>	<b>7,965</b>	<b>3,827</b>	<b>11,792</b>
Outstanding cash	3,454	806	4,260	3,458	1,546	5,004
Outstanding, share based	2,966	455	3,421	4,507	2,280	6,788
Awarded during the financial year <sup>(5)</sup>	2,825	771	3,596	4,166	1,973	6,139
<b>Paid out <sup>(6)</sup></b>	<b>2,742</b>	<b>618</b>	<b>3,360</b>	<b>3,956</b>	<b>2,583</b>	<b>6,539</b>
Reduced through performance adjustments <sup>(7)</sup>	-	-	-	-	-	-
Sign-on and Severance	December 31, 2020			December 31, 2019		
	Senior Management	Material Risk Takers	Total	Senior Management	Material Risk Takers	Total
<b>Sign-on payments</b>	-	-	-	-	-	-
Made during the year	-	-	-	-	-	-
Number of beneficiaries	-	-	-	-	-	-
<b>Severance payments</b>	-	<b>29</b>	-	-	-	-
Made during the year	-	29	-	-	-	-
Number of beneficiaries	-	1	-	-	-	-

(1) Fixed pay and fixed pay allowance granted in cash.

(2) Variable pay for performance year 2020 / 2019. Effective 2017, restricted shares are no longer eligible to accrue dividends during the deferral period under the new European Banking Authority (EBA) Guidelines.

(3) Immediate shares, subject to a six month or one year retention period.

(4) Outstanding, unvested, deferred remuneration is subject to ex post explicit adjustments. There is no retained remuneration subject to ex post explicit adjustment as at 31 December 2020 / 31 December 2019.

(5) Value of deferred cash and shares awarded during 2020 / 2019. Share price taken at 31 December 2020 and 2019.

(6) Value of vested shares and cash paid out during 2020 / 2019. Share price taken at 31 December 2020 and 2019.

(7) There is no reduction of deferred remuneration and retained remuneration due to ex post explicit adjustment during 2020 and 2019.

## DIRECTORS' COMPENSATION

The following table sets forth the compensation paid to non-executive directors for the year ended December 31, 2020:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
J. Athaide	\$125,000	Nil	Nil	Nil	Nil	Nil	\$125,000
K. Gavan	\$125,000	Nil	Nil	Nil	Nil	Nil	\$125,000
B. Horowitz	\$140,000	Nil	Nil	Nil	Nil	Nil	\$140,000
M. Korenberg	\$62,500	Nil	Nil	Nil	Nil	Nil	\$62,500
R. McFarlane	\$180,000	Nil	Nil	Nil	Nil	Nil	\$180,000
S. Minzberg	\$225,000	Nil	Nil	Nil	Nil	Nil	\$225,000

Non-executive directors were entitled to receive an annual retainer of \$105,000, and the Chairman of the Board was entitled to receive an additional retainer of \$100,000. The Chair of the Audit, Risk and Conduct Review Committee was entitled to receive \$75,000 per annum. Members of the Audit, Risk and Conduct Review Committee (with the exception of the Chair) were entitled to \$20,000 per annum. In addition, the Chair of any ad hoc Nomination Committee was entitled to a \$15,000 retainer.

Non-executive directors were entitled to reimbursement for reasonable travel expenses for attending meetings of the Board and its Committees throughout 2020.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

### Aggregate Indebtedness

The following table sets out the aggregate amount of indebtedness (including some routine indebtedness) as at April 2, 2021, to the Bank or any of its subsidiaries incurred by all current and former executive officers, directors and employees:

AGGREGATE INDEBTEDNESS (\$)		
Purpose	To the Company or its Subsidiaries (\$millions)	To Another Entity
Share purchases	Nil	Nil
Other	\$1,112	Nil

### Indebtedness of Directors and Executive Officers under (1) Securities Purchase and (2) Other Programs

The following table sets forth the indebtedness incurred by executive officers, directors and their associates. Indebtedness that had been entirely repaid on or before the date of the date of the AIF and routine indebtedness are not included in the table. For the purpose of this section, "Prime" means the prime lending rate on interest announced from time to time by the Bank.

<b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS</b>						
<b>Name and Principal Position</b>	<b>Involvement of Company or Subsidiary</b>	<b>Largest Amount Outstanding During 2020 (\$)</b>	<b>Amount Outstanding as at April 2, 2021 (\$)</b>	<b>Financially Assisted Securities Purchased During 2020 (#)</b>	<b>Security for Indebtedness (Security purchase programs only)</b>	<b>Amount Forgiven During 2020 (\$)</b>
<b>Securities Purchase Programs – None</b>						
<b>Other Programs</b>						
G. Samwell Chief Financial Officer	Bank as Lender	\$1,301,964	\$1,249,499	Nil	Nil	Nil
L. Bosma General Counsel	Bank as Lender	\$710,030	\$582,361	Nil	Nil	Nil
L. Dalton Chief of Staff, Office of the CEO	Bank as Lender	\$378,622	\$361,492	Nil	Nil	Nil
G. Stavridis Executive Vice-President and Chief Compliance Officer	Bank as Lender	\$474,998	\$443,959	Nil	Nil	Nil
K. Toews Executive Vice-President and Head of Human Resources	Bank as Lender	\$900,233	\$751,200	Nil	Nil	Nil
S. Tsui Senior Vice President and Chief Auditor	Bank as Lender	\$537,063	\$513,139	Nil	Nil	Nil
J. Turcotte, Senior Vice-President, Corporate Secretary and Head of Governance	Bank as Lender	\$24,884	\$1,302	Nil	Nil	Nil
S. Birk previous Head of Strategy & Planning	Bank as Lender	\$663,703	\$567,478	Nil	Nil	Nil

Details of indebtedness listed above are as follows:

Mr. G. Samwell, Chief Financial Officer, has a mortgage loan secured by real estate maturing March 14, 2023 in the amount of \$1,249,499 at a fixed rate of interest of 2.74%.

Ms. L. Bosma, General Counsel, has a mortgage loan secured by real estate maturing December 29, 2023 in the amount of \$261,662 at a variable rate of interest of Prime less 1.11% and a mortgage loan secured by real estate maturing December 31, 2021 in the amount of \$320,699 at a fixed rate of interest of 2.35%.

Ms. L. Dalton, Chief of Staff, Office of the CEO, has a mortgage loan secured by real estate maturing November 8, 2022 in the amount of \$270,330 at a variable rate of interest of Prime less 1.11% and a mortgage loan secured by real estate maturing February 9, 2023 in the amount of \$91,162 at a fixed rate of interest of 2.89%.

Ms. G. Stavridis, Executive Vice-President and Chief Compliance Officer, has a mortgage loan secured by real estate maturing July 4, 2023 in the amount of \$443,959 at a variable rate of interest of Prime less 1.06%.

Ms. K. Toews, Executive Vice-President and Head of Human Resources, has a mortgage loan secured by real estate maturing August 20, 2024 in the amount of \$751,200 at a fixed rate of interest of 2.54%.

Ms. S. Tsui, Senior Vice President and Chief Auditor, has a mortgage loan secured by real estate maturing January 4, 2026 in the amount of \$337,497 at a fixed rate of interest of 1.76% and a mortgage loan secured by real estate maturing August 9, 2025 in the amount of \$175,642 at a fixed rate of 1.94%.

Ms. J. Turcotte, Senior Vice-President, Corporate Secretary and Head of Governance, has a credit card balance of \$1,302 which if not paid in full by the due date, would bear interest at a rate of 9.9%.

Mr. S. Birk, who was previously Head of Strategy & Planning, has a mortgage loan secured by real estate maturing February 5, 2024 in the amount of \$45,394 at a variable rate of interest of Prime less 1.11%, a mortgage loan secured by real estate maturing February 5, 2022 in the amount of \$464,918 at a fixed rate of interest of 2.35%, an unsecured line of credit in the amount of \$52,279 at a variable interest rate of Prime, a credit card balance of \$1,103 which if not paid in full by the due date, would bear interest at a rate of 19.9%, and a credit card balance of \$3,784 which if not paid in full by the due date, would bear interest at a rate of 9.9%.

## **APPOINTMENT OF AUDITORS**

In accordance with the Bank Act, one firm of qualified accountants is appointed by the shareholder to act as auditor until the next Annual General Meeting. The auditors of the Bank for the year ended December 31, 2020 were PricewaterhouseCoopers LLP, Chartered Accountants, located at PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada, V6C 3S7.

## **MANAGEMENT CONTRACTS**

Management support is provided by the HSBC Group; however, there are no significant management functions of the Bank or any of its subsidiaries that are, to any substantial degree, performed by a person other than the directors or senior officers of the Bank or its subsidiaries.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Information on legal proceedings and regulatory matters is set out in note 30 on the Bank's consolidated financial statements on page 109 of the Annual Report.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than the information concerning transactions with related parties which are disclosed on page 34 in the MD&A and in notes 22, 25, and 28 to the Bank's consolidated financial statements on pages 101, 106 and 107, and 107 and 108 respectively, of the Annual Report, no director or executive officer of the Bank, HSBC Holdings, or an associate or affiliate thereof, has had or currently has a material interest, directly or indirectly, in any transaction involving the Bank within the three most recently completed financial years or during the current financial year, that has materially affected or is reasonably expected to materially affect the Bank or any of its subsidiaries.

## **TRANSFER AGENTS AND REGISTRARS**

The Register of Debentures for the subordinated debentures issued to third parties is maintained by the Bank in its office in Toronto.

## **MATERIAL CONTRACTS**

The Bank has not entered into any material contracts outside the ordinary course of business.

## **INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP, the auditor of the Bank for the year ended December 31, 2020, was independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.



## AUDIT COMMITTEE

### Audit Committee Charter

The Audit, Risk and Conduct Review Committee terms of reference are attached as Appendix 1 to this Annual Information Form.

### Composition of the Audit Committee

The Audit, Risk and Conduct Review Committee consists of Robert G. McFarlane (Chair), Judith J. Athaide, Karen Gavan, Beth S. Horowitz, Samuel Minzberg and Mark Saunders. Each member of the Audit, Risk and Conduct Review Committee is independent and financially literate according to the definition under the applicable Canadian securities law.

### Relevant Education and Experience

The relevant education and experience of each member of the Audit, Risk and Conduct Review Committee is set out below:

**Judith J. Athaide** is President and Chief Executive Officer Cogent Group Inc. Her other Board appointments include the following: Chair of the Nomination & Governance Committee of PHX Energy Services; Chair of the Health, Safety and Environment Committee and member of the Audit and Compensation and Governance Committees of AltaGas Canada Inc; member of the Audit, Nuclear Operations and Human Resources, Safety and Environment Committees of New Brunswick Power; member of the Compensation and Governance Committee of CMG Ltd.; member of the Audit Committee of SDTC; member of the Advisory Committee of the Calgary ICD Chapter and member of Audit for PHX Energy Services. Ms. Athaide's former appointments include: Chair of the Calgary ICD Chapter; Chair of the Audit, Risk & Environment Committee of Fortis Alberta Inc.; Chair of the Governance & Human Resources Committee of Balancing Pool, Chair of Human Resources & Compensation Committee of Cimarron Engineering and Director of Cognera Corporation. She has held a variety of executive roles in the energy industry and academic positions at Alberta's universities. She is currently the President and Chief Executive Officer of The Cogent Group Inc. Ms. Athaide obtained a B.Comm. (Honours) from the University of Manitoba, an MBA from the University of Alberta and a B.Sc. Engineering from the University of Alberta. She obtained ICD.D designation from the Rotman School of Business.

**Karen Gavan** is a Corporate Director. Her other appointments include: Member of the Board and Audit Committee of the Swiss Re Group; member of the Board and Audit Committee of Swiss Re Americas; member of the Board and Audit Committee of Mackenzie Financial Corporation/Counsel Group of Funds and Chairperson of the Fund Oversight Committee. Ms. Gavan's former appointments include: Director, President and CEO of Economical Insurance; Chief Financial Officer of Transamerica Life Canada/AEGON Canada; Chief Operating Officer of Transamerica Life Canada/AEGON Canada and various finance roles at Canada Life, Imperial Life and Prudential Insurance. Ms. Gavan has a B.Comm (Honours) from Lakehead University, is a Fellow of the Institute of Chartered Accountants of Ontario, obtained ICD.D designation, and completed the Global Risk Institute Board Risk Oversight and Insight Program.

**Beth S. Horowitz** is a Corporate Director. Her other appointments include the following: Director, Harvard Business School Club of Toronto; Trustee, Art Gallery of Ontario; Director, SheEO; Director, Unity Charity; Member, Catalyst Canada Advisory Board, and Member, Women's Venture Capital Fund Advisory Board. Ms. Horowitz's former appointments include: Chair, President & CEO, Amex Bank of Canada, and President & General Manager, Amex Canada, Inc; Non-Executive Director, Aimia, Inc. and Non-Executive Director, People Corporation. Ms. Horowitz has a B.A. from Cornell University, an MBA from Harvard Business School, and holds an ICD.D from Rotman School of Business.

**Robert G. McFarlane** is a Corporate Director. His other appointments include: Chair of Greater Vancouver Advisory Board of The Salvation Army (Canada); Member of the Board of Trustees, its Capital Assets and Finance Committee, Vice Chair of its External Relations and Development Committee, and member of the Football Management Committee, Queen's University at Kingston; Chair of Information Technology Advisory Council, The University of British Columbia; Member of the British Columbia Chapter Executive of the Institute of Corporate Directors; and

Member Board of Directors Economical Insurance. Mr. McFarlane's former appointments include: Non-Executive Director, Chair of the Audit Committee of Entertainment One Ltd; Non-Executive Director, Deputy-Chair of the Board and Chair of the Audit and Risk Committee, RSA Canada; Executive Vice President and Chief Financial Officer, TELUS Corporation; Director, Executive Vice President, Chief Financial Officer and Secretary-Treasurer, Clearnet Communications Inc; Vice President, Orenda Corporate Finance; Director and Chair of the Audit Committee, Ascalade Communications Inc; Director, Vice-Chair of the Board, Business Council of British Columbia; and Director and Chair of the Audit and Risk Committee, InnVest Real Estate Investment Trust. Mr. McFarlane has a B.Comm (Honours) from Queen's University, an MBA from Ivey Business School, Western University and obtained ICD.D designation.

**Samuel Minzberg** is the Chairman of the Board. He is Of Counsel at Davies Ward Phillips & Vineberg in Montreal, and formerly served as Partner until December 2016. Other current appointments include Director of Reitmans (Canada) Limited; Trustee and Member of the Board of Governors of the Sir Mortimer B. Davis – Jewish General Hospital Foundation; Member of the Board of Governors of McGill University of Montreal, and serves on its Executive Committee and is Chair of its Nominating, Governance and Ethics Committee; Vice-Chairman of the Integrated Health and Social Services University Network for West-Central Montreal; Member of the HSBC North America Holdings Inc Board of Directors since March 2005 and is a member of the HSBC North America Holdings Inc Audit, Risk and Nominating and Governance Committees. Mr. Minzberg's former appointments include: President and Chief Executive Officer of Claridge Inc.; Director, Quebecor Media Inc.; and Director, Richmond Mines Inc. Mr. Minzberg holds B.A., B.C.L and LL.B degrees from McGill University.

**Mark S. Saunders** is currently Executive Vice-President, Enterprise Services at Sun Life Financial, leading areas including real estate, procurement and shared business services. Mr. Saunders' other current appointments include: Member of the Sinai Health System Board of Directors and Board of Trustees of the Collingwood General and Marine Hospital. His prior appointments include: Executive Vice-President & Chief Information Officer, Sun Life Financial; Senior Technology Officer for Barclay's Commercial Bank; and executive roles with BMO Financial Group, including as Chief Information Officer, BMO Nesbitt Burns Inc. He holds a Bachelor of Science degree in Computer Science from Greenwich University in London, U.K. and an ICD.D from Rotman School of Business.

## Pre-Approval of Policies and Procedures

The Bank's Audit, Risk and Conduct Review Committee has adopted specific policies and procedures for non-audited services provided by external auditors. These policies and procedures provide principles to be considered when evaluating the independence of accountants and specifically prohibit certain services. Additionally, certain services such as further assurance services, certain tax services, and certain other services are pre-approved, subject to certain restrictions.

## External Auditor Service Fees

Fees related to the years ended December 31, 2020 and December 31, 2019, to our external auditor, PwC, are detailed below.

Fees (thousands) <sup>(1)</sup>	2020	2019 <sup>(2)</sup>
Audit Fees	5,288	4,632
Audit-Related Fees	256	299
Total	5,544	4,931

(1) The classification of fees is based on applicable Canadian securities law.

(2) The 2019 amounts have been updated to reflect \$416k of additional audit fees that related to the year-ended December 31, 2019 and certain amounts have been reclassified to conform to the current year presentation.

## Exemptions

The issuer is relying upon the exemption in Section 6.1 of National Instruments 52-110.

**ADDITIONAL INFORMATION**

Additional information relating to the Bank may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Bank's consolidated financial statements and MD&A for the year ended December 31, 2020, which can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPENDIX 1: HSBC BANK CANADA AUDIT, RISK AND CONDUCT REVIEW COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. Purpose**

The Board of HSBC Bank Canada (the 'Bank') has delegated to the Audit, Risk and Conduct Review Committee (the 'Committee') oversight of:

(a) matters relating to financial reporting and internal financial controls, in particular reviewing:  
(i) the integrity of the financial statements, Pillar 3 disclosures, formal announcements and disclosures relating to financial performance; (ii) the effectiveness of Internal Audit and the external audit process; and (iii) the effectiveness of internal financial control systems;

(b) risk-related matters impacting the Bank and its subsidiaries, including risk governance and internal control systems; and

(c) conduct review committee duties referred to in s. 195(3) of the *Bank Act*, monitoring procedures to resolve conflicts of interest as required under s. 157(2)(d) of the *Bank Act* and monitoring procedures to provide disclosure of information to customers of the Bank, and ensuring they are being adhered to, as required under s. 157(2)(f) of the *Bank Act*.

#### **2. Membership**

Pursuant to ss. 194 and 195 of the *Bank Act*, the Committee, including the Chair, shall comprise at least three members, all of whom shall be independent non-executive directors, and the majority of whom are not **affiliated** with the Bank. In addition, no officer or employee of the Bank or its subsidiaries may serve as a Committee member.

The most likely circumstances under which a director would be **affiliated** with the Bank are as:

- an officer or employee of the Bank or an affiliate;
- a significant borrower from the Bank;
- an officer or employee of a significant borrower from the Bank;
- a controller of one or more entities which, as a group, is a significant borrower from the Bank;
- a provider of goods or services to the Bank (or a partner, officer, employee, etc. of an entity that does), if the total annual billings to the Bank exceed 10% of their total annual billings; or
- an individual that has a loan which is not in good standing with the Bank or is a director, officer or employee of an entity with such a loan.

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

Members of the Committee and the Chair shall be appointed subject to endorsement by each of the Group Audit and Group Risk Committees.

All members of the Committee must be "financially literate", as that term is defined in National Instrument 52-110 *Audit Committees*. In addition, 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**

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, the Chief Risk Officer ('CRO'), the Chief Financial Officer, and the Chief Compliance Officer 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. It is expected that the Committee shall meet at least four times each year.

The quorum for meetings is a majority of the members.

### **5. Audit-related 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 Bank before submission to the Board for approval, Pillar 3 disclosures and any formal announcements and supplementary regulatory information relating to the Bank's financial performance;
- 5.1.2 review, and consider changes to, significant accounting policies, including Pillar 3 disclosure policies and practices, as applicable;
- 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 the Annual Operating Plan and Capital Plan;
- 5.1.8 review comment letters from regulatory authorities;
- 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 report and accounts, or its local equivalent, by the external auditor;
- 5.1.11 at its discretion, review reports and minutes of the Disclosure Review Committee;
- 5.1.12 review and approve the following for the Finance function on an annual basis:
  - (a) its budget and resources, and
  - (b) its mandate.
- 5.1.13 review the adequacy of resources and expertise as well as succession planning for the Finance function;
- 5.1.14 advise the Board that the annual report and accounts, or equivalent, taken as a whole, are fair, balanced and understandable, and provides the information necessary for shareholders

to assess the Bank's position and performance, as applicable in the Bank's jurisdiction;

- 5.1.15 review the Bank's financial statements, management's discussion & analysis and annual and interim profit or loss press releases before the Bank publicly discloses this information;
- 5.1.16 report to the Board on the Bank's compliance with all applicable corporate governance codes or standards in relation to financial reporting; and
- 5.1.17 provide assurances to the Board regarding compliance by the Bank with relevant regulations relating to financial reporting.

## **5.2 Internal Audit**

- 5.2.1 review and approve the Internal Audit charter;
- 5.2.2 oversee the work of Internal Audit and recommend to the Board 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 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 resources 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 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 Bank'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 (a) review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, considering relevant professional, regulatory and other requirements, and (b) report annually to the Board on the effectiveness of the external auditor;
- 5.3.5 oversee the rotation of 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).

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 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 Bank'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 Bank's Chief Executive and Chief Financial Officer that such persons have disclosed to the Committee and to the external auditor) which could adversely affect the Bank'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 Bank'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.

## **5.5 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, including as set out in s. 7.2.3, below; 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. Risk-related Committee Responsibilities**

The Committee's responsibilities shall include:

### **6.1 Risk-related Matters**

6.1.1 To oversee and advise the Board on risk-related matters, including both financial and non-

financial risks.

- 6.1.2 To review and provide independent challenge on risk management reports, including the Bank's enterprise risk reports to:
- (a) Assess the risk profile of the Bank and how the risks arising from the Bank's businesses are controlled, monitored and mitigated;
  - (b) Focus on current and forward-looking risks to enable the Committee to assess the Bank's vulnerability and resiliency to potential risks;
  - (c) Review the effectiveness of the Bank's Conduct framework designed to deliver fair outcomes for customers, preserve the orderly and transparent operation of financial markets, and protect the Bank against adverse outcomes (including reputational damage) to the Bank'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.

## **6.2 Risk Appetite**

- 6.2.1 To satisfy itself that risk appetite informs the Bank'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;
- 6.2.2 To advise the Board on risk appetite and risk tolerance related matters;
- 6.2.3 To review and recommend the Bank's Risk Appetite Statement at least annually to the Board for approval;
- 6.2.4 To receive reports where appropriate, to satisfy itself that the Bank's approach to the determination of its risk appetite is in line with regulatory requirements;
- 6.2.5 As applicable, to review and recommend the Bank'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 Group Risk Committee;
- 6.2.6 As applicable, to review and recommend the Bank'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 Group Risk Committee;
- 6.2.7 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 Bank;
- 6.2.8 To review and advise the Board or other committee that oversees remuneration matters on the Bank's alignment of remuneration with risk appetite;
- 6.2.9 To consider and advise the Board on the effectiveness of management's policies for addressing risks relating to cyber security and information security;
- 6.2.10 To review and advise the Board on the effectiveness of management's policies for addressing risks relating to the Bank's IT and operational resilience programmes; and
- 6.2.11 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 Bank may become exposed to financial crime and systems abuse.

### **6.3 Stress Testing**

- 6.3.1 To review and satisfy itself that the Bank's stress testing framework, governance and related internal controls are robust;
- 6.3.2 To review and challenge management's interpretation of the scenario(s) prescribed by the regulator, including areas of judgement;
- 6.3.3 To review and challenge the results of, and supporting information for, enterprise-wide stress tests presented by management; and
- 6.3.4 To review and approve the Bank's final stress testing submissions to regulatory authorities.

### **6.4 Enterprise Risk Management Framework and Internal Control Systems**

- 6.4.1 To annually review the Bank's enterprise risk management framework and satisfy itself that it is operating effectively;
- 6.4.2 To review the effectiveness of internal control systems; and
- 6.4.3 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 Bank 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.

### **6.5 Compliance**

- 6.5.1 To approve the annual plan for the Compliance function, including the budget and resources for the function, and receive regular reports on progress against the plan and other matters relating to compliance risk and the Bank's relationship with its regulators.
- 6.5.2 To review and approve the mandate of the Compliance function on an annual basis.

### **6.6 Chief Risk Officer and Risk Management Function**

- 6.6.1 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;
- 6.6.2 To recommend to the Board the appointment or removal of the CRO;
- 6.6.3 To approve the annual plan for the Risk function, including the budget and resources for the function, and receive regular reports on progress against the plan; and
- 6.6.4 To review and approve the mandate of the Risk function on an annual basis.

### **6.7 Internal Audit**

- 6.7.1 To review reports from Internal Audit that provide assurance on the adequacy of internal control processes; and
- 6.7.2 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.

## **6.8 External Audit**

- 6.8.1 To review any issue raised by the external auditor in respect of (a) the audit of the Bank's annual report and accounts and management's response, which relates to the management of risk or internal control systems, or (b) in connection with the external auditor's observations of the Bank's (i) regulatory standing and compliance or (ii) general competitive standing.

## **6.9 Annual Report**

- 6.9.1 Where applicable, to review and endorse the content of the risk committee report, risk disclosures or statements contained in the annual report relating to internal controls, including the assessment of principal risks facing the Bank.

## **6.10 Performance of Audit Committee Functions on behalf of Subsidiaries**

- 6.10.1 The Committee shall perform all of the foregoing functions for and on behalf of each direct or indirect subsidiary of the Bank which is a federally regulated financial institution that is statutorily required to have an audit committee.

## **7. Conduct-related Committee Responsibilities**

### **7.1 Compliance with Part XI (Self-Dealing) Section of the *Bank Act***

The Committee is responsible for performing duties related to Part XI of the *Bank Act*, and shall:

- 7.1.1 Require Management to establish procedures for complying with Part XI of the *Bank Act* (the 'Related Party Transaction Procedures');
- 7.1.2 Review the Related Party Transaction Procedures and their effectiveness to ensure that the Bank is compliant;
- 7.1.3 Review the Bank's practices to ensure that any related party transactions that may materially affect the Bank's stability or solvency are identified;
- 7.1.4 Where relevant, establish criteria for determining whether a related party transaction is nominal or immaterial for purposes of the *Bank Act*;
- 7.1.5 Review and, if advisable, approve the following on terms and conditions more favourable than those offered to the public:
- (a) Loans, other than margin loans, to Bank senior officers;
  - (b) Loans on the security of a mortgage on a principal residence, to the spouse or common-law partner of a senior officer of the Bank; and
  - (c) Certain other financial services for Bank senior officers, their spouses or common-law partners, or their minor children as stipulated in the *Bank Act*.
- 7.1.6 Report to the Board following each Committee meeting about the Committee's activities and with appropriate recommendations;
- 7.1.7 Deliver annually to the Board the Committee's report on its activities during the year in carrying out its prescribed responsibilities under section 195(3) of the *Bank Act*; and
- 7.1.8 Perform these functions for each direct or indirect subsidiary of the Bank which is a federally regulated financial institution that is statutorily required to have a conduct review committee.

## 7.2 Enterprise-Wide Conduct Compliance

7.2.1 One of the HSBC *Risk Management Framework* ("RMF") objectives is to ensure that HSBC delivers fair outcomes to its customers and maintains the orderly and transparent operation of financial markets. As specified in the RMF, this objective is supported by HSBC's Conduct framework, which provides a set of 15 Global Conduct Outcomes, organized under the following the following Conduct Pillars:

- (a) Conduct Pillar 1: Strategy and Business Models: Our strategy, business models, plans, and decisions always aim to deliver fair treatment for customers and not disrupt market integrity.
- (b) Conduct Pillar 2: Culture and Behaviours: Our culture supports our people, empowers them and rewards them for consistently doing the right thing for our customers and markets and always learning from any mistakes.
- (c) Conduct Pillar 3: Customers: We know our customers and understand their needs; we deliver appropriate, competitive and understandable products, supported by efficient customer service.
- (d) Conduct Pillar 4: Markets: We seek to identify and prevent actions and behaviours that can result in market misconduct whilst ensuring we execute transactions promptly and efficiently and safely handle any information we have.
- (e) Conduct Pillar 5: We carefully manage and oversee the way we treat customers, ensuring it is fair and that we uphold market integrity; we always maintain timely, open and transparent engagement with our regulators.

7.2.2 The Committee is responsible for:

- (a) Overseeing the delivery and embedding of the Global Conduct Outcomes by the Bank and its subsidiaries on a consolidated basis. As further specified in the RMF, this is governed by a three lines of defence approach, which includes ultimate ownership of delivery of the Global Conduct Outcomes by the first line of defence, independent oversight and challenge of the first line by the second line of defence, and independent assurance by Internal Audit as the third line of defence.
- (b) Overseeing the management of compliance with any future regulatory requirements or guidelines related to Conduct in accordance with the three lines of defence approach specified above.

7.2.3 The Committee's oversight responsibilities specified above are supported by the following minimum activities:

**Quarterly:** Reviewing consolidated results, as available, from:

- (a) Themes and/or trends from sales oversight activities including customer complaints, survey results; mystery shops results, sales quality reviews and sales practices oversight activities.
- (b) Employee surveys and exchange sessions, Internal Audit reviews, as well as whistleblowing and employee personal conduct cases.
- (c) Evidence generated by oversight activities for financial market trade surveillance and the management of conflicts of interest.
- (d) Reporting from the first line of defence Conduct "Management Information" (MI) scorecards to risk management governance forums.

**Annually:** Receiving an overview of how the Global Conduct Outcomes have been embedded within the business and an outline of any proposed future plans, as reflected in the year-end assessment of the achievement of the Conduct performance objective on the Chief Executive Officer performance scorecard.

#### **7.4 Responsible Persons**

The Committee is responsible for overseeing OSFI Guideline E-17: *Background Checks on Directors and Senior Management of FREs* and shall:

##### **7.4.1 Approve significant amendments to the Assessment Policy of Responsible Persons;**

##### **7.4.2 Where it is inappropriate for another person in the Bank to make the determination, determine whether an individual is suitable or possesses sufficient integrity for a position and, if not, ensure that:**

- (a) such an individual does not hold a Responsible Person position, or
- (b) that adequate measures are taken to manage the risk arising from misconduct or mismanagement, such as redefining the responsibilities of the position or removing a conflict that applies to the duties of that position; and

Receive senior management concerns regarding:

##### **7.4.3 (a) the suitability and integrity of a potential or existing Responsible Person, or (b) the manner in which the Assessment Policy of Responsible Persons is being implemented.**

#### **7.5 Further Responsibilities under the *Bank Act***

##### **7.5.1 The Committee shall monitor the Bank's compliance with, and review and approve any material amendments to, procedures established for:**

- (a) Identifying and resolving potential conflicts of interest, as well as restricting the use of confidential information;
- (b) Disclosing information to customers as required by the *Bank Act*; and
- (c) Handling complaints from persons who requested or received products or services in Canada from the Bank or its subsidiaries.

##### **7.5.2 The Committee shall also satisfy itself that the procedures established for disclosing information to customers and for handling complaints are being adhered to by the Bank.**

#### **7.6 Further Conduct-related Responsibilities**

The Committee may request reports and information from any line of business, Function, or executive committee and may routinely receive reports about:

- (a) the Bank's and its subsidiaries' compliance as described in these Terms of Reference; and
- (b) relevant industry best practice.

The Committee will perform other related tasks or review other topics as directed by the Chair or the Board.

## **8. Other responsibilities**

### **8.1 Certificates and Assurances (Escalation)**

8.1.1 As the Bank is a Principal Subsidiary of HSBC Holdings plc:

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

### **8.2 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 Group Risk Committee how the Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

### **8.3 Material Deviations From Core Terms of Reference**

Material deviations from the Group Core Terms of Reference require the endorsement from the Group Audit/Risk Committee.

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 Bank and the Group Audit/Risk Committee.

### **8.4 Responsibilities of Subsidiary Audit and Risk Committees**

The Committee shall (a) review the composition, powers, duties and responsibilities of any audit/ risk 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, and (d) discuss such matters as the Committee deems appropriate with the chair or other members of such subsidiary committees.

### **8.5 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 Bank's finance, audit, compliance and risk management functions.

### **8.6 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 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.

### **8.7 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.