

HSBC Bank Canada
(a Canadian chartered bank)

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2021**

April 25, 2022

HSBC Bank Canada
300-885 West Georgia Street
Vancouver, British Columbia
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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, 2021. Unless otherwise stated, all amounts are expressed in Canadian dollars.

Information Incorporated by Reference

Portions of the Bank’s Annual Report and Accounts 2021 (“Annual Report”), which includes the management’s discussion and analysis (“MD&A”) and the consolidated financial statements for the year ended December 31, 2021 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.

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; HongkongBank 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 102 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.

GENERAL DEVELOPMENT OF THE BUSINESS

Our long-term strategy positions us to be the preferred international finance partner for our customers, capitalizing on our unique combination of strategic advantages to drive growth.

Our strategy centers around four key areas which are aligned to the HSBC Group's purpose, values and strategy: focus on our areas of strength, digitize at scale to adapt our operating model for the future, energize our organization for growth and support the transition to a net zero global economy.

Our ambition is to be the preferred international finance partner for our customers, and the core strategic priorities which underpin this remain unchanged. We will continue to monitor changes in the external environment and re-evaluate our strategy where appropriate.

The Bank manages and reports its operations around the following businesses: Commercial Banking, Global Banking, Markets and Securities Services, and Wealth and Personal Banking. Effective from the fourth quarter of 2021, the Bank separated the business segment previously named "Global Banking and Markets" ("GB&M") into "Global Banking" and "Markets and Securities Services" to reflect our new operating segments. Our operating segments are described below:

Commercial Banking ("CMB") offers a full range of commercial financial services and tailored solutions to clients ranging from small enterprises to large corporates operating internationally. We connect businesses to opportunities through our relationship managers and digital channels, meeting our clients' financial needs by providing cross-border trade and payment services, by helping them to become more sustainable, and by giving them access to products and services offered by other business segments.

Global Banking ("GB") provides tailored financial services and products to major government, corporate and institutional clients worldwide. Our product specialists deliver a comprehensive range of transaction banking, financing, advisory, capital markets and risk management services. Our products, combined with our expertise across industries, enable us to help clients achieve their sustainability goals.

Markets and Securities Services ("MSS") provides tailored financial services and products to major government, corporate and institutional clients worldwide. Our knowledge and expertise of local and international markets coupled with our global reach enables us to provide comprehensive and bespoke services across various asset classes, which can be combined and customized to meet clients' specific objectives.

Wealth and Personal Banking ("WPB") 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 was renamed as Wealth and Personal Banking.

For the year ended December 31, 2021, the Bank reported a profit before income tax expense of \$952 million, an increase of \$548 million, or 136%, compared with \$404 million from 2020. The Bank's profit before income tax expense was \$816 million in 2019.

DESCRIPTION OF THE BUSINESS

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

HSBC Bank Canada is the leading international bank in Canada with total assets of \$119.9 billion at December 31, 2021. 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 130 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, Europe 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. HSBC Bank Canada has a Euro denominated covered bond listed on the London Stock Exchange.

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 operating segments can be found in the MD&A on page 3 and pages 25 to 29 and note 9 of the Bank's consolidated financial statements on pages 93 to 94 of the Annual Report. Information on liquidity and funding risk and capital risk can be found on pages 58 to 59 and 59 to 61, respectively. Information on credit risk can be found in the MD&A on pages 40 to 56 of the Annual Report.

The Bank and its subsidiaries have approximately 4,668 employees, representing about 4,270 employees on a full time equivalent basis.

The Canadian financial services industry is highly competitive. The Bank competes directly with other Canadian chartered banks, 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 presence, 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.

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 36 to 68 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 page 15 of the Annual Report.

DIVIDENDS

	2021	2020	2019
Common shares (\$million) ¹	435	160	430
Class 1 Preferred shares (\$ per share)			
Series G ²	-	0.50000	1.00000
Series H ²	0.76505	0.39471	-
Series I	1.15000	1.15000	1.15000
Series K ³	1.36252	1.36252	0.35560

1. Represents dividends declared in a year and not dividends in respect of, or for, that year.
2. 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.
3. 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 61 and note 8 of the Bank's consolidated financial statements on page 93 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 Risk in 2021 section of the MD&A on pages 59 to 61 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 pages 108 and 109. 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 104 of the Annual Report. There have been no issues of subordinated indebtedness or capital stock subsequent to December 31, 2021. On March 15, 2022 the Bank reduced the stated capital of the common shares of the Bank by \$600 million.

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, 2021. 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 25, 2022 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-1
Deposits and senior debt	A+	A (high)	A+	A1
Subordinated debt	BBB+	A	A-	n/a
Outlook	Stable	Stable	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. On July 27, 2021 S&P confirmed the Bank's credit 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.

On December 17, 2021 DBRS announced an update of their ratings trend on HSBC Bank Canada to Stable from Negative. The change is driven by DBRS's revised view of HSBC Holdings Plc, which has made progress on de-risking, cost restructuring and lower than anticipated impact on asset quality from BREXIT and the Covid-19 pandemic.

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. On October 13, 2021 Fitch affirmed the Bank’s credit ratings.

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.

On July 9, 2021 Moody’s announced the final form of their updated Banks rating methodology which included revisions to their Advanced Loss Given Failure analysis and designating of non domestic systematically important financial institutions in Canada as being in the Operational Resolution Regime. Following this announcement on July 12th Moody’s upgraded the Bank’s long term issuer and deposit ratings to A1 from A3, upgraded the long-term Counterparty risk rating to A1 from A2 and upgraded the short term deposit rating to Prime-1 from Prime-2.

The “Prime-1” rating assigned by Moody’s to the Bank’s short-term instruments is the top of four rating categories and indicates Moody’s view that the Bank’s ability to repay short-term debt obligations is very strong.

The “A1” 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 “A1” 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 25, 2022 ^(a).

Directors

Name, Province or State and Country of Residence	Principal Occupation During the Past Five Years and Position with the Bank	Director Since
JUDITH J. ATHAIDE Alberta, Canada ^(b)	President and Chief Executive Officer Cogent Group Inc. Non-Executive Director, HSBC Bank Canada	May 2017
KAREN L. GAVAN Ontario, Canada ^(b)	Corporate Director ^(c) Non-Executive Director, HSBC Bank Canada	April 2019
BETH S. HOROWITZ Ontario, Canada ^(b)	Corporate Director ^(d) Non-Executive Director, HSBC Bank Canada ^(e)	September 2009
FIONA MACFARLANE British Columbia, Canada ^(b)	Corporate Director ^(e) Non-Executive Director, HSBC Bank Canada ^(e)	January 2022
ROBERT G. McFARLANE British Columbia, Canada ^(b)	Corporate Director Non-Executive Director and Chair of the Audit, Risk and Conduct Review Committee, HSBC Bank Canada	February 2015
SAMUEL MINZBERG Québec, Canada ^(b)	Of Counsel Davies Ward Phillips & Vineberg LLP ^(f) Non-Executive Director and Chairman of the Board, HSBC Bank Canada	January 2001
ANDREA NICHOLLS Québec, Canada ^(b)	Chief Financial Officer, Dentons Canada LLP ^(g) Non-Executive Director, HSBC Bank Canada	January 2022
MICHAEL ROBERTS New York, United States	Chief Executive Officer, HSBC USA and Americas	March 2021
MARK S. SAUNDERS Ontario, Canada ^(b)	Executive Vice-President, Enterprise Services Sun Life Financial ^(h) Non-Executive Director, HSBC Bank Canada	January 2021
LINDA SEYMOUR Ontario, Canada	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:

- Stephen Moss ceased to be a member of the Bank's Board of Directors on April 23, 2021. At January 1, 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 and became resident in Dubai, United Arab Emirates.
- Member of Audit, Risk and Conduct Review Committee.
- Karen Gavan was formerly the Chief Executive Officer of Economical Insurance, from 2011 to 2016.
- 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.
- Fiona Macfarlane served as Managing Partner, British Columbia and Canada's Chief Inclusiveness Officer at Ernst & Young (EY) from 2011 to 2019.
- Samuel Minzberg is currently Of Counsel to the law firm Davies Ward Phillips & Vineberg LLP, and was formerly Senior Partner.
- Andrea Nicholls is currently the Chief Financial Officer of the law firm Dentons LLP.
- Mark Saunders held executive roles with Sun Life Financial from 2009 until his retirement 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. To the best of our knowledge, no existing material conflict of interest has been identified. 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

Name, Province and Country of Residence	Principal Occupation During the Past Five Years and Position with the Bank
LINDA SEYMOUR - Ontario, Canada	General Manager, President and Chief Executive Officer
GERHARDT SAMWELL - British Columbia, Canada	Chief Financial Officer
LILAC BOSMA - British Columbia, Canada	General Counsel
ANNA CAMILLERI ^(a) - British Columbia, Canada	Senior Vice-President and Chief Auditor
ANDREW CHERRY - Ontario, Canada	Head of Global Markets
LISA DALTON - British Columbia, Canada	Chief of Staff, Office of the CEO
ALICIA EVERS ^(b) - Ontario, Canada	Corporate Secretary and Head of Governance
KIMBERLY FLOOD - Ontario, Canada	Senior Vice-President and Head of Communications
KIM HALLWOOD - British Columbia, Canada	Head of Corporate Sustainability
SCOTT LAMPARD - Ontario, Canada	Executive Vice-President and Managing Director, Head of Global Banking
GEORGIA STAVRIDIS - 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 ^(c) - British Columbia, Canada	Chief Risk Officer
ALAN TURNER ^(d) - Ontario, Canada	Executive Vice-President and Head of Commercial Banking

a. Anna Camilleri was appointed Senior Vice-President and Chief Auditor effective September 17, 2021, replacing Sophia Tsui who was appointed Chief Risk Officer.

b. Alicia Evers was appointed Corporate Secretary and Head of Governance effective March 7, 2022. She succeeds Josée Turcotte, who was Senior Vice-President, Corporate Secretary and Head of Governance until December 24, 2021.

c. 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.

d. Alan Turner was appointed Executive Vice-President and Head of Commercial Banking effective March 22, 2021, succeeding 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: 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; Gerhardt Samwell, who was the Chief Accounting Officer for the Royal Bank of Canada prior to joining the Bank in 2017; and Alicia Evers, who was legal counsel to the Ontario Securities Commission before joining the Bank in 2017.

As of December 31, 2021, 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 2021 total compensation of the Bank's senior executive officers, including specific compensation information for our General Manager, President and Chief Executive Officer ("CEO") Linda Seymour, our Chief Financial Officer ("CFO") Gerhardt Samwell, as well as the next three most highly compensated executives: Alan Turner, Executive Vice President ("EVP") and Head of Commercial Banking, Larry Tomei, EVP and Head of Wealth and Personal Banking, and Scott Lampard, EVP and Managing Director ("MD"), Head of Global Banking. 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 General Manager, President and Chief Executive Officer, Ms. Seymour, is one of the 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") 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 2021, all NEOs are considered MRTs.

HSBC Bank Canada's Remuneration Principles

Our performance and pay strategy aims to competitively reward long-term sustainable performance. Our goal is to attract, motivate and retain the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. This supports the long-term interests of our stakeholders, including our 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.

Our approach to performance and pay in 2021 for the broader workforce was underpinned by our remuneration principles.

Principle	Our approach in 2021
Fair, appropriate and free from bias	<ul style="list-style-type: none"> • We help managers to make informed, consistent and fair pay decisions. Variable pay for our employees is either set centrally or based on a starting point recommendation from HR. • Communications and reporting encourage our managers to: challenge their assessments; question whether they were objective; and use facts to make decisions. • Managers in similar roles complete 'fairness reviews' where they discuss the performance and values-aligned behaviour ratings of their teams. They help each other to make objective decisions by providing a diverse range of examples, facts and viewpoints, and challenge each other to mitigate the risk of unconscious bias. • During the annual review process, HR and management perform checks to ensure outcomes are in line with our principles and are equitable. We use data to identify employees whose pay is lower than their comparable peer group. If there is no objective reason for these variances, such as performance or skills and experience, we seek to make adjustments.
A culture of continuous feedback through manager and employee empowerment	<ul style="list-style-type: none"> • We seek to create a culture where our people can fulfil their potential, gain new skills and develop their careers for the future. • In 2021, we further improved our culture of continuous feedback, with our colleagues saying that conversations with their managers across the year had a positive impact on their performance and reported positive effects on their well-being. • Our continuous feedback tool, including a mobile app, makes it easier for our colleagues to share feedback with each other in the moment, providing a structure so that they can share what went well and what they could do better in specific situations. • We encourage colleagues to use our online career planning tools to help them with their thinking about future roles and the capabilities they require and to drive conversations.
Reward and recognition of sustainable performance and values aligned behaviour	<ul style="list-style-type: none"> • Individual performance is assessed against clear and relevant financial and non-financial objectives. These set out expectations for each colleague in terms of performance and development. • We recognize our colleagues not just for results, but also for demonstrating our values. As such, subject to local law, our colleagues receive a behaviour rating as well as a performance rating. • Group and business performance is used to determine the Group variable pay pool and that of each business. Where performance in a year is weak, as measured by both financial and non-financial metrics, this will impact the relevant pool. The final pool also considers the external operating environment and expectation of our stakeholders. • We undertake analytical reviews to ensure there is clear pay differentiation across both performance and behaviour ratings. This is provided to senior management and the Committee as part of their oversight of the remuneration outcomes for the Group. • 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. • We promote employee share ownership through variable pay deferral or voluntary enrolment in an all-employee share plan.
Balanced, simple and transparent total reward packages, which support employee well-being	<ul style="list-style-type: none"> • Paying our colleagues fairly and appropriately is critical to delivering on our strategic commitments. We work extensively with our external market benchmarking consultants to get the latest insights on market pay levels and areas of potential risk. That guides us as we make pay decisions, allowing us to focus on managing people risks and areas critical to our strategy. • We maintain an appropriate balance between fixed pay, variable pay and employee benefits, taking into consideration an employee's seniority, role, individual performance and the market. Decisions are informed, but not driven, by market position and practice. • We are committed to employee well-being and offer employee benefits that support the mental, physical and financial health of a diverse workforce. • We review pay based on gender to uphold our commitment to inclusion and pay equity.

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	Objective and Application
Fixed pay Attract and retain employees with market competitive pay for the role, skills and experience required	<ul style="list-style-type: none"> 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. Fixed pay represents a higher proportion of total compensation for junior employees. May change to reflect an individual's position, role or grade, local market pay competitiveness, individual skills, competencies, capabilities and experience.
Benefits Support the physical, mental and financial health in a diverse workforce in accordance with local market practice	<ul style="list-style-type: none"> Benefits may include, but are not limited to, the provision of a pension, medical insurance, life insurance, health assessment and relocation support.
Annual incentive Incentivize and reward performance based on annual financial and non-financial measures consistent with the medium to long-term strategy, stakeholder interests and value-aligned behaviours	<ul style="list-style-type: none"> All employees are eligible to be considered for a discretionary variable pay award. Individual awards are determined against objectives for performance set at the start of the year. Represents a higher proportion of total compensation for more senior employees and will be more closely aligned to Group and business performance as seniority increases. Variable pay awards for Group employees identified as Material Risk Takers ('MRTs') under European Union Regulatory Technical Standard ('RTS') 2021/923 is limited to 200% of fixed pay, as approved by shareholders at the 2014 AGM held on May 23, 2014 (98% in favour). Awards are generally paid in cash and shares. For MRTs, at least 50% of the awards are in shares.
Deferral Align employee interests with the medium to long-term strategy, stakeholder interests and value aligned behaviours	<ul style="list-style-type: none"> 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. For MRTs, awards are generally subject to a minimum 40% deferral (60% for awards of £500,000 or more) over a minimum period of four years. A deferral period of five years is applied for senior management and individuals identified in specified roles with managerial responsibilities as prescribed under the PRA and FCA remuneration rules. 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 variable pay is £44,000 or less and variable pay is not more than one-third of total compensation. For these individuals, the Group standard deferral applies. 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. HSBC operates an anti-hedging policy for all employees, which prohibits employees from entering into any personal hedging strategies in respect of HSBC securities. For Group MRTs, a minimum of 50% of the deferred awards is in HSBC shares and the balance is deferred into cash. Variable pay awards made in HSBC shares granted to MRTs are generally subject to a one-year retention period post-vesting. 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. Where an employee is subject to more than one regulation, the requirement specific to the sector and/or country in which the individual is working is applied.
Buy-out awards Support recruitment of key individuals.	<ul style="list-style-type: none"> Buy-out awards may be offered if an individual holds any outstanding unvested awards that are forfeited on resignation from the previous employer. The terms of the buy-out awards will not be more generous than the terms attached to the awards forfeited on cessation of employment with the previous employer
Guaranteed variable remuneration Support recruitment of key individuals.	<ul style="list-style-type: none"> Guaranteed variable remuneration is awarded in exceptional circumstances for new hires, and is limited to the individual's first year of employment only. The exceptional circumstances would typically involve a critical new hire and would also depend on factors such as the seniority of the individual, whether the new hire candidate has any competing offers and the timing of the hire during the performance year.
Severance payments Adhere to contractual agreements with involuntary leavers.	<ul style="list-style-type: none"> Where an individual's employment is terminated involuntarily for gross misconduct then, subject to compliance with local laws, the Group's policy is not to make any severance payment in such cases and all outstanding unvested awards are forfeited. For other cases of involuntary termination of employment, the determination of any severance will take into consideration the performance of the individual, contractual notice period, applicable local laws and circumstances of the case. Generally, all outstanding unvested awards will normally continue to vest in line with the applicable vesting dates. Where relevant, any performance conditions attached to the awards, and malus and clawback provisions, will remain applicable to those awards. Severance amounts awarded to MRTs are not considered as variable pay for the purpose of application of the deferral and variable pay cap rules under the PRA and FCA remuneration rules where such amounts include: (i) payments of fixed remuneration that would have been payable during the notice and/or consultation period; (ii) statutory severance payments; (iii) payments determined in accordance with any approach applicable in the relevant jurisdictions; and (iv) payments made to settle a potential or actual dispute.

Shareholding requirement

Effective January 1, 2019, the minimum shareholding requirement of 25,000 HSBC Holding shares for General Manager, President and Chief Executive Officer was removed by the Group Remuneration Committee, as it was felt that unvested share awards held by 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 2021, this included 15 employees. We define MRTs as those identified under the PRA Rules by HSBC Holding plc. In 2021, 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
Variable pay pool	<p>The Group variable pay pool is expected to move in line with Group performance, based on a range of financial and contextual factors. 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"> • Group and business unit financial performance, including capital requirements; • current and future risks, taking into consideration performance against the risk appetite statement, financial and resourcing plan and global conduct outcomes; and • fines, penalties and provisions for customer redress, which are automatically included in the Committee's definition of profit for determining the pool; and • In the event that the Group was unable to distribute dividends to shareholders for reasons such as capital adequacy, then the Group may determine that as a year of weak performance. In such a year, the Group may withhold some, or all, variable pay for employees including unvested share awards, using the metrics outlined above as a basis for that determination.
Individual performance scorecard	<ul style="list-style-type: none"> • Assessment of individual performance is made with reference to clear and relevant financial and non-financial objectives. Objectives for 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 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.
Control function staff	<ul style="list-style-type: none"> • The performance and reward of individuals in control functions, including risk and compliance employees, are assessed according to a balanced scorecard of objectives specific to the functional role they undertake. • Their remuneration is determined independent of the performance of the business areas they oversee. • The Committee is responsible for approving the remuneration recommendations for the Group Chief Risk Officer and senior management in control functions. • Group policy is for control functions staff to report into their respective function. Remuneration decisions for senior functional roles are made by the global function head. • Remuneration is carefully benchmarked with the market and internally to ensure it is set at an appropriate level.
Variable pay adjustments and conduct recognition	<ul style="list-style-type: none"> • Variable pay awards may be adjusted downwards in circumstances including: <ul style="list-style-type: none"> – detrimental conduct, including conduct that brings HSBC into disrepute; – involvement in events resulting in significant operational losses, or events that have caused or have the potential to cause significant harm to HSBC; and – non-compliance with the values-aligned behaviours and other mandatory requirements or policies. • Rewarding positive conduct may take the form of use of our global recognition program At Our Best, or positive adjustments to variable pay awards.
Malus	<p>Malus can be applied to unvested deferred awards granted in prior years in circumstances including:</p> <ul style="list-style-type: none"> • detrimental conduct, including conduct that brings the business into disrepute; • past performance being materially worse than originally reported; • restatement, correction or amendment of any financial statements; and • improper or inadequate risk management.
Clawback	<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"> • participation in, or responsibility for, conduct that results in significant losses; • failing to meet appropriate standards and propriety; • reasonable evidence of misconduct or material error that would justify, or would have justified, summary termination of a contract of employment; and • a material failure of risk management suffered by HSBC or a business unit in the context of Group risk-management standards, policies and procedures.
Sales incentives	<ul style="list-style-type: none"> • We do not operate commission-based sales plans in Canada.
Identification of MRTs	<ul style="list-style-type: none"> • We identify individuals as MRTs based on the qualitative and quantitative criteria set out in the RTS and using the following key principles that underpin HSBC's identification process: <ul style="list-style-type: none"> – MRTs are identified at Group, HSBC Bank (consolidated) and HSBC UK Bank level. – MRTs are also identified at other solo regulated entity level as required by the regulations. – 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. • 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.

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 2021, 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. and Korn Ferry, for additional market information for the NEOs. McLagan Partners, Inc. was originally retained for this purpose in 2018 and Korn Ferry retained as required in 2021 and other prior years.

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 2021, 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 2021, 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 \$7,505 for 2021 and \$8,078 for 2020. In 2021, the Bank paid approximately \$2,025 for similar services provided by Korn Ferry. 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 2021 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) continue to grow our position as the Leading International Bank in Canada, 2) promote HSBC as One Bank, driving collaboration revenue across all lines of business; 3) expand our Wealth proposition; 4) leverage our global sustainable finance products, solutions and expertise to drive growth and client engagement; 5) execution of our transformation program to create capacity for investments and drive efficiency; and 6) define a new work experience focused on flexibility, engagement and wellbeing. 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 2021 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 2021 performance considered the overall achievement of objectives. To make that evaluation, the Committee and the Board received reports from management on the achievement of 2021 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.

Linda Seymour, General Manager, President and Chief Executive Officer

HSBC Bank Canada achieved very strong financial performance during Ms. Seymour's first full year as President and Chief Executive Officer, despite the ongoing challenges of COVID-19. Collaboration across business segments and borders led to significant increases in both revenue and profit before tax, supported by effective cost control. The Bank's risk management and compliance programs progressed effectively under Ms. Seymour's leadership with a strong tone from the top.

Throughout 2021, Ms. Seymour remained focused on the continued execution of the Bank's strategy. Under Ms. Seymour's leadership, the Bank leveraged HSBC's extensive international network to provide products and solutions that meet the needs of our internationally minded customers across all business segments. Global and Commercial Banking continued to facilitate traditional and complex trade and cash management activities across borders for our clients, and the expansion of our Wealth proposition concentrated on digital experience and the needs of international and high net worth customers.

Throughout the year, the Bank continued to invest in digital to ensure the resilience of our operations and to improve both customer and employee experience.

In addition to executing on international, wealth and digital priorities, HSBC Bank Canada remained committed to supporting our customers with their transition to net zero. HSBC Bank Canada was selected as one of two structuring advisors for the Government of Canada's inaugural issuance of green bonds and delivered record sustainable finance volume of US\$2.325 billion.

In the second half of 2021, Ms. Seymour led a review of the Bank's strategy, aligning key strategic priorities with HSBC Group's four strategic pillars: Focus on our Strengths, Digitize at Scale, Energize for Growth and Transition to Net Zero. The strategy update received full support from the HSBC Bank Canada Board, and is now in the execution phase.

Gerhardt Samwell, Chief Financial Officer

All areas under the responsibility of Mr. Samwell, Chief Financial Officer, were well managed. Notable contributions included supporting strategy formulation and planning, providing insights to help drive financial performance, delivering cost and digital transformation initiatives, optimizing the balance sheet, which led to increased net interest margins and a strong return on capital, and expansion of the Bank's funding programs.

Mr. Samwell also continued to support automation in Finance, including increased use of cloud technologies, which drove efficiencies and enhanced control outcomes. He ensured the accuracy and timely delivery of all regulatory, financial, and tax reporting, oversaw stress testing exercises undertaken – including the Bank's participation in a broader climate stress test, as well compliance with policies and procedures to maintain and strengthen the internal control framework over financial reporting during this period where the Bank has been operating under its business continuity plan. The Bank ended the year in a strong capital position, with a Common Equity Tier 1 ratio of 14% and leverage ratio of 5.8%, and a strong average liquidity coverage ratio of 147% for the quarter ended December 31, 2021.

Alan Turner, EVP and Head of Commercial Banking

The continuation of the COVID-19 pandemic, with the attendant lockdowns and disruption to global supply chains caused challenges for Canadian businesses during the year. Commercial Banking, under Mr. Turner's leadership, continued to operate effectively, providing broad support for customers through the provision of term and working capital, FX, trade finance and cash management.

Strong, balanced growth of both assets and liabilities was achieved over the year as well as an improving credit risk profile. Year-over-year growth was delivered across all regions and all products exceeded plan to deliver record revenues for Commercial Banking in Canada. The revenue growth, effective cost discipline and the write-back of certain loan loss provisions resulted in a strong profit performance.

Risk management practices were applied effectively throughout the year to manage credit, operational and financial crime risks and to ensure compliance with regulations.

Ongoing investment in digital capabilities and service enhancements delivered improvements in customer satisfaction scores during the year. HSBC maintained its position as the #1 Trade Finance Bank in Canada and made important progress in helping customers achieve their sustainability goals. Five new sustainability linked products, including Canada's first Green Deposits, were launched during the year and the volume of sustainable finance provided to customers more than doubled year-over-year.

Larry Tomei, EVP, Head of Wealth and Personal Banking

Under Mr. Tomei's leadership, Wealth and Personal Banking delivered exceptional financial results in 2021. The business delivered record¹ revenues and profit before tax, excluding 2012 which included a one-time gain, and achieved record¹ growth in total relationship balances². Mr. Tomei successfully steered the business through the challenges caused by the COVID-19 pandemic and achieved all the targets on his balanced scorecard. Wealth and Personal Banking continued to grow its client base in targeted segments and delivered market share gains in key product categories. Mr. Tomei executed on strategic priorities to expand the wealth franchise, focus on international clients, deploy balance sheet capabilities, commercialize digital assets, while transforming the business to improve its efficiency and client centricity.

Wealth and Personal Banking's innovative products and services received industry recognitions including Best Robo-Advisor Experience – Wealth Compass™ awarded by The Digital Banker; Outstanding Client Experience – HSBC Jade and HSBC Private Investment Counsel awarded by Global Private Banker; Best Technology Implementation by a Retail Bank and Best Retail Bank for a Frictionless Banking Experience – EasyID at the Global Retail Banking Innovation Awards 2021.

1. Record year since inception of WPB (previously RBWM) as a single global business in 2011.
2. Total relationship balances includes lending, deposits and wealth balances.

Scott Lampard, EVP and MD Head of Global Banking

Mr. Lampard delivered strong results in 2021, successfully managing the business through the ongoing COVID-19 pandemic crisis and delivering on his balanced scorecard. Of note was the strong financial performance and management of the risk and control environment.

Global Banking continued to support its clients through the ongoing COVID-19 pandemic and experienced strong growth in Capital Markets, including ESG, strategic financing, and advisory transactions. Mr. Lampard also led a restructuring of Global Banking Canada in the fourth quarter of 2021 to align strategy and focus with Global priorities and position the business for future growth.

Mr. Lampard is also CEO, Ultimate Designated Person and Board Chair of HSBC Securities (Canada) Inc. and a member of HSBC Global Asset Management (Canada) Limited's Board of Directors. He actively participates in mentoring and sponsorship programs to engage and develop talent across HSBC.

SUMMARY COMPENSATION TABLE

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

Name and principal position	Year	Salary ⁽¹⁾ (\$)	Share Based Awards ⁽²⁾⁽³⁾ (\$)	Option-Based Awards (\$)	Non-equity incentive plan compensation (\$)		Pension value ⁽⁵⁾ (\$)	All other Compensation ⁽⁶⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plan ⁽³⁾	Long-Term Incentive Plans ⁽⁴⁾			
Seymour, Linda ⁽⁷⁾ General Manager, President and Chief Executive Officer	2021	1,250,962	781,723	Nil	781,723	Nil	1,379,104	55,330	4,248,842
	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
Samwell, Gerhardt ⁽⁸⁾ Chief Financial Officer	2021	346,754	92,760	Nil	92,760	Nil	51,728	—	584,002
	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
Turner, Alan ⁽⁹⁾ EVP and Head of Commercial Banking	2021	765,386	533,940	Nil	533,940	Nil	—	—	1,833,267
	2020	—	—	—	—	—	—	—	—
	2019	—	—	—	—	—	—	—	—
Tomei, Larry ⁽¹⁰⁾ EVP, Head of Wealth & Personal Banking	2021	670,000	434,638	Nil	434,638	Nil	44,433	—	1,583,709
	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
Lampard, Scott ⁽¹¹⁾ EVP and MD, Head of Global Banking	2021	800,000	331,200	Nil	331,200	Nil	21,142	—	1,483,542
	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

- Salary includes base salary plus a fixed pay allowance paid in cash for all NEOs with the exception of Messrs. Samwell and Turner. 2020 salaries reported reflect 27 pay periods paid in the calendar year in comparison to standard 26 pay periods in other years. 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. Mr. Samwell's salary increased effective February 2021. Mr. Turner 2021 salary as of appointment in March 2021.
- 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.
- 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.
- No NEOs were awarded long-term incentive awards in 2019-2021.
- Pension value represents the employer contributions for each year for the different pension plans. Ms. Seymour is a member of HSBC's defined benefit plans. Ms. Seymour's 2020 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.
- 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.
- In 2020, Ms. Seymour was appointed CEO designate in June and was formally appointed GM & CEO effective September 1st. Ms. Seymour has 60% of her variable pay awards deferred for a five-year period based on MRT status.
- In 2018, Mr. Samwell was appointed CFO effective July 1st. The 2018 amounts represent compensation earned in the calendar year, including additional re-stated earnings of \$6,923. Mr. Samwell has 40% of his 2021 variable pay awards deferred for a four-year period, whereas his prior years' awards were deferred for a three-year period based on MRT status.
- In 2021, Mr. Turner was appointed EVP and Head of Commercial Banking effective March 22nd. 2019 and 2020 total compensation not reported reflects as prior position held outside of Canada. Mr. Turner has 40% of his variable pay awards deferred for a five-year period based on MRT status.
- Mr. Tomei has held his current position since October 2016 when he joined the bank. Mr. Tomei has 40% of his 2021 variable pay awards deferred for a four-year period, whereas his prior years' awards were deferred for a three-year period based on MRT status.
- In 2020, Mr. Lampard was appointed EVP and MD, Head of Global Banking effective August 17th. Mr. Lampard has 40% of his 2021 variable pay award deferred for a four-year period, whereas his prior years' awards were deferred for five or three-year periods based on MRT status.

Note: Ms. Seymour has outstanding deferred cash payouts totaling \$808,948, Mr. Samwell has \$79,988, Mr. Tomei has \$411,445, Mr. Turner has \$484,485, and Mr. Lampard has \$261,499.

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, 2021:

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 (\$) ⁽¹⁾	Market or payout value of vested share-based awards not paid out or distributed (\$)
L. Seymour	-	-	-	-	103,899	799,259	Nil
G. Samwell	-	-	-	-	10,167	78,211	Nil
A. Turner	-	-	-	-	59,316	456,297	Nil
L. Tomei	-	-	-	-	50,658	389,694	Nil
S. Lampard	-	-	-	-	33,597	258,450	Nil

1. Calculated based on the closing price of the HSBC Holdings shares on December 31, 2021 on the London Stock Exchange of £4.4865 and based on the exchange rate for UK pounds sterling to Canadian dollars on such date of 1.71462.

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, 2021:

Name	Option-based awards Value vested during the year (\$)	Share-based awards Value vested during this year (\$) ⁽¹⁾	Non-Equity incentive plan compensation - value earned during this year (\$)
L. Seymour ⁽²⁾	Nil	356,247	781,723
G. Samwell ⁽³⁾	Nil	87,196	92,760
A. Turner ⁽⁴⁾	Nil	357,762	533,941
L. Tomei ⁽⁵⁾	Nil	400,918	434,638
S. Lampard ⁽⁶⁾	Nil	309,129	331,200

1. Calculated based on the closing price of the HSBC Holdings shares on December 31, 2021 on the London Stock Exchange of £4.4865 and based on the exchange rate for UK pounds sterling to Canadian dollars on such date of 1.71462.

2. Amount does not include Deferred Cash of \$175,599 that was earned in previous years and paid during 2021.

3. Amount does not include Deferred Cash of \$30,091 that was earned in previous years and paid during 2021.

4. Amount does not include Deferred Cash of \$240,411 that was earned in previous years and paid during 2021.

5. Amount does not include Deferred Cash of \$233,528 that was earned in previous years and paid during 2021.

6. Amount does not include Deferred Cash of \$189,997 that was earned in previous years and paid during 2021.

PENSION PLAN BENEFITS

Defined Benefit Plans Table

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

Name (a)	Number of years credited service (#) (b)	Annual benefits payable (\$) (c)		Opening present value of defined benefit obligation ⁽¹⁾ (\$) (d)	Compensatory Change ⁽¹⁾ (\$) (e)	Non-compensatory Change ⁽¹⁾ (\$) (f)	Closing present value of defined benefit obligation ⁽¹⁾ (\$) (g)
		At year end	At age 65				
L. Seymour	30.0	452,832	653,255	9,555,720	1,379,104	(518,846)	10,415,978

1. All Canadian pension amounts in columns (d) through (g) 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, 2021.

Note: 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 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 60th 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 ¼ 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 ¼ of 1% for each month that the retirement date is before age 55.

For an executive without a spouse at retirement, the normal form of pension is payable for the executive's life, with a guarantee of 10 years. For an executive with a spouse at retirement, the normal form of pension is payable for the executive's life, with 60% 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 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 2021 is \$61,600.
- 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 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 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

Ms. Seymour is entitled, upon retirement from the Bank, to receive an annual pension during her 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 60th birthday. An executive can retire at any time after reaching age 55. For an executive retiring early, the pension reduction is ¼ of 1% for each month that the pension start date is before age 60.

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, 2021, 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 (a)	Accumulated value at start of year ⁽¹⁾ (\$) (b)	Compensatory ⁽¹⁾ (\$) (c)	Accumulated value at year end ⁽¹⁾ (\$) (d)
G. Samwell	180,802	51,728	264,844
L. Tomei	437,121	44,433	537,775
S. Lampard	195,879	21,142	240,146

1. All amounts are in Canadian Dollars.

Note: Ms. Seymour is 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.

Messrs. Samwell, Tomei and Lampard 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 2021 the annual maximum for both employee and employer contributions was \$29,210. 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. Samwell and Mr. Tomei 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 ⁽¹⁾
Resignation/ Termination with Cause	Base Salary	Cessation of salary.
	Variable Pay	Become ineligible to receive variable pay if notice given or employment is terminated prior to award payment date.
	Share Based Awards	Unvested deferred shares units are cancelled.
	Non-equity Awards	Unvested deferred cash awards are cancelled.
	Pension plans	Entitled to accrued pension. Supplemental plan: Entitled to accrued pension subject to conduct provisions.
	Benefits and Perquisites	Cessation of current benefits.
Termination without Cause	Base Salary	Cessation of salary. Pay in lieu of notice is provided as required by law.
	Variable Pay	In general, become ineligible to receive variable pay if employment is terminated prior to award payment date.
	Share Based Awards	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.
	Non-equity incentive Awards	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.
	Pension plans	Entitled to accrued pension. Supplemental plan: Entitled to accrued pension subject to conduct provisions.
	Benefits and Perquisites	Cessation of current benefits.
Retirement	Base Salary	Cessation of salary.
	Variable Pay	In general, become ineligible to receive variable pay if notice given or employment is terminated prior to award payment date.
	Share Based Awards	Unvested deferred shares units: Full vesting (in accordance with the original vesting schedule) based on “good leaver” status.
	Non-equity incentive Awards	Unvested deferred cash awards: Full vesting (in accordance with the original vesting schedule) based on “good leaver” status and non-compete agreement is signed.
	Pension plans	Entitled to accrued pension. Supplemental plan: Entitled to accrued pension subject to conduct provisions.
	Benefits and Perquisites	Cessation of current benefits. If eligible, Retiree Benefits will come into effect.
Termination following a Change of Control	Base Salary	Cessation of salary. Pay in lieu of notice is provided as required by law.
	Variable Pay	In general, become ineligible to receive variable pay if notice of resignation given or employment is terminated prior to award payment date.
	Share Based Awards	Awards vest on change of control unless RemCo has agreed and determined that the awards should be exchanged for equivalent awards.
	Non-equity incentive Awards	Awards vest on change of control unless RemCo has agreed and determined that the awards should be exchanged for equivalent awards.
	Pension plans	Entitled to accrued pension. Supplemental plan: Entitled to accrued pension subject to conduct provisions.
	Benefits and Perquisites	Cessation of current benefits.

1. 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 2021, 17 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. Five 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, 2021			December 31, 2020		
	Senior Management (17 People)	Material Risk Takers (5 People)	Total (22 People)	Senior Management (18 People)	Material Risk Takers (7 People)	Total (25 People)
FIXED	7,358	1,608	8,966	7,341	1,889	9,230
Cash Based (incl. FPA Cash) ⁽¹⁾	7,358	1,608	8,966	7,341	1,889	9,230
VARIABLE⁽²⁾	7,124	962	8,086	4,402	1,219	5,621
Cash	2,324	289	2,613	2,016	438	2,453
Non-deferred shares ⁽³⁾	1,505	289	1,793	824	330	1,154
Deferred Cash	1,586	192	1,779	723	220	943
Deferred Shares	1,709	192	1,901	839	232	1,071

Deferred Remuneration	December 31, 2021			December 31, 2020		
	Senior Management	Material Risk Takers	Total	Senior Management	Material Risk Takers	Total
Total outstanding, unvested ⁽⁴⁾	5,106	899	6,005	6,420	1,261	7,681
Outstanding cash	2,393	529	2,922	3,454	806	4,260
Outstanding, share based	2,713	370	3,083	2,966	455	3,421
Awarded during the financial year ⁽⁵⁾	1,890	250	2,140	2,825	771	3,596
Paid out ⁽⁶⁾	3,106	665	3,772	2,742	618	3,360
Reduced through performance adjustments ⁽⁷⁾	22	—	22	—	—	—

Sign-on and Severance	December 31, 2021			December 31, 2020		
	Senior Management	Material Risk Takers	Total	Senior Management	Material Risk Takers	Total
Sign-on payments	—	—	—	—	—	—
Made during the year	—	—	—	—	—	—
Number of beneficiaries	—	—	—	—	—	—
Severance payments	—	—	—	—	29	—
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 2021 and 2020. 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 December 31, 2021 or December 31, 2020.

5. Value of deferred cash and shares awarded during 2021 and 2020. Share price taken at December 31, 2021 and 2020.

6. Value of vested shares and cash paid out during 2021 and 2020. Share price taken at December 31, 2021 and 2020.

7. There is no reduction of deferred remuneration and retained remuneration due to ex post explicit adjustment during 2021 and 2020.

DIRECTORS' COMPENSATION

The following table sets forth the compensation paid to non-executive directors for the year ended December 31, 2021:

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	\$125,000	Nil	Nil	Nil	Nil	Nil	\$125,000
R. McFarlane	\$180,000	Nil	Nil	Nil	Nil	Nil	\$180,000
S. Minzberg	\$225,000	Nil	Nil	Nil	Nil	Nil	\$225,000
M. Saunders	\$125,000	Nil	Nil	Nil	Nil	Nil	\$125,000

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. No ad hoc Nomination Committee was convened in 2021.

Non-executive directors were entitled to reimbursement for reasonable expenses incurred in performing their duties as directors, including travel for attending meetings of the Board and its Committees. During 2021, all Board or Committee meetings were conducted by video conference as part of the Bank's response to the COVID-19 pandemic.

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 1, 2022, 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	\$1,218	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.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS						
Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During 2021 (\$)	Amount Outstanding as at April 1, 2022 (\$)	Financially Assisted Securities Purchased During 2021 (#)	Security for Indebtedness (Security purchase programs only)	Amount Forgiven During 2021 (\$)
Securities Purchase Programs – None						
Other Programs						
L. Seymour General Manager, President and Chief Executive Officer	Bank as Lender	500,000	496,908	Nil	Nil	Nil
G. Samwell Chief Financial Officer	Bank as Lender	1,259,913	1,207,975	Nil	Nil	Nil
L. Bosma General Counsel	Bank as Lender	687,422	649,358	Nil	Nil	Nil
L. Dalton Chief of Staff, Office of the CEO	Bank as Lender	364,201	258,472	Nil	Nil	Nil
S. Lampard Executive Vice-President and Managing Director, Head of Global Banking	Bank as Lender	3,158,953	2,545,999	Nil	Nil	Nil
G. Stavridis Executive Vice-President and Chief Compliance Officer	Bank as Lender	450,554	417,020	Nil	Nil	Nil
S. Tsui Chief Risk Officer	Bank as Lender	518,070	492,911	Nil	Nil	Nil

Details of indebtedness listed above are as follows:

Ms. L. Seymour, General Manager, President and Chief Executive Officer, has a mortgage loan secured by real estate maturing December 15, 2026 in the amount of \$496,908 at a fixed rate of interest of 1.99%.

Mr. G. Samwell, Chief Financial Officer, has a mortgage loan secured by real estate maturing March 14, 2023 in the amount of \$1,206,531 at a fixed rate of interest of 2.74% and a line of credit secured by real estate in the amount of \$1,444 at a variable rate of interest of Prime.

Ms. L. Bosma, General Counsel, has a mortgage loan secured by real estate maturing December 29, 2023 in the amount of \$250,570 at a variable rate of interest of Prime less 1.11%, a mortgage loan secured by real estate maturing October 16, 2026 in the amount of \$309,450 at a variable rate of interest of Prime less 1.26% and a line of credit secured by real estate in the amount of \$89,338 at a variable rate of interest of Prime.

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 \$258,472 at a variable rate of interest of Prime less 1.11%.

Mr. S. Lampard, Executive Vice-President and Managing Director, Head of Global Banking, has a mortgage loan secured by real estate maturing December 16, 2025 in the amount of \$239,761 at a fixed rate of interest of 1.64%, a mortgage loan secured by real estate maturing December 16, 2026 in the amount of \$744,538 at a fixed rate of interest of 2.54%, a line of credit secured by real estate in the amount of \$1,060,670 at a variable rate of interest of Prime and a line of credit secured by real estate in the amount of \$501,030 at a variable rate of interest of Prime.

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 \$417,020 at a variable rate of interest of Prime less 1.06%.

Ms. S. Tsui, Chief Risk Officer, has a mortgage loan secured by real estate maturing January 4, 2026 in the amount of \$323,955 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 \$168,956 at a fixed rate of interest of 1.94%.

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, 2021 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

On 21 April 2021, HSBC Global Asset Management (Canada) Limited ("AMCA"), a subsidiary of the Bank, and the British Columbia Securities Commission ("BCSC") entered into a settlement agreement to compensate clients of certain third party dealers of HSBC Mutual Funds. AMCA ended relationships with certain third party dealers between 2014 and 2016, which required their clients to redeem their units of HSBC Mutual Funds. In the settlement agreement, AMCA and the BCSC agreed that AMCA initiated its actions in accordance with the terms and conditions of the dealer agreements, acted in good faith in a manner which it believed to be in the best interests of the Funds, and AMCA did not profit in any way in this matter. AMCA and the BCSC further agreed that the required redemptions may have caused financial harm to certain impacted unitholders and, as a result of the activity, AMCA failed to deal fairly with the affected unitholders and therefore contravened section 14 of the Securities Rules (British Columbia). Under the terms of the settlement agreement, AMCA undertook to pay a total of \$1.05m, of which \$0.35m was paid immediately to the BCSC and \$0.7m set aside to pay impacted unitholders.

Additional information on legal proceedings and regulatory matters is set out in note 30 on the Bank's consolidated financial statements on page 112 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 35 in the MD&A and in notes 22, 25, and 28 to the Bank's consolidated financial statements on pages 104, 108 and 109, and 110 and 111, 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. Computershare acts as trustee and registrar for subordinated debentures issued by the Bank to third parties and for issuances under the Bank's Legislative Covered Bond Programme.

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, 2021, 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, Fiona Macfarlane, Samuel Minzberg, Andrea Nicholls 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 of Cogent Group Inc. Her other Board appointments include the following: Director, Kivwetinohk Energy Corp.; Chair of the Health, Safety and Environment Committee and member of the Compensation and Governance Committee of TriSummit Utilities (formerly AltaGas Canada Inc.); member of the Environment and Technology and the Safety, Human Resources and Culture Committees of New Brunswick Power; member of the Compensation and Governance Committee of Computer Modelling Group Ltd.; member of the Audit Committee and Nominating and Governance Committee of Sustainable Development Technology Canada; member of the Advisory Committee of the Calgary Institute of Corporate Directors Chapter.

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 Cogenera Corporation; Director, Chair of the Nomination & Governance Committee and Human Resources Committee and member of the Audit Committee of PHX Energy Services. She has held a variety of executive roles in the energy industry and academic positions at Alberta's universities. 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 and Compensation Committees of Swiss Re Americas; member of the Board of North American Specialty Insurance Company; member of the Boards of Mackenzie Financial Corporation and Counsel Portfolio Services Inc..

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; Member, Women's Venture Capital Fund Advisory Board; and Director, Canada Jetlines. 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.

Fiona Macfarlane is a Corporate Director. She is the former Managing Partner, British Columbia and Canada's Chief Inclusiveness Officer at Ernst & Young (EY). Her other appointments include the following: Member of the Audit Committee, Inuvialuit Regional Corporation; Chair and Member, Board of Governors, Shawnigan Lake School; and Director, Broden Mining Ltd.; and Director, Western Forest Products Inc. Her former appointments include: Vice Chair, British Columbia Chapter of the Institute of Corporate Directors, British Columbia Chapter; Member, Board of Governors and Member, Executive Committee, Business Council of British Columbia; Chair of the Employee Relations Committee of the Executive and Board of Governors of the University of British Columbia; Director, Aboriginal Business Investment Council; Director, International Women's Forum; and member of the BC Ministry of Finance's Expert Panel on Business Taxation.

Ms. Macfarlane began her 36-year career in EY's Cape Town Tax practice and has also led the EY Canada Tax practice and served as COO of the Americas' Tax practice. For her contributions to the CPA profession, she was awarded an honorary CA. She was also named one of Women of Influence's Canadian Diversity Champions and was inducted into the WXN Canada's Most Powerful Women Hall of Fame. Ms. Macfarlane holds a B.A., LLB and B.Com (Honours) from the University of Cape Town, an LLM from Cambridge University and an ICD.D qualification.

Robert G. McFarlane is a Corporate Director. His other appointments include: Chair of Greater Vancouver Advisory Board of The Salvation Army (Canada); Vice Chair of the Board of Trustees, Chair of the Capital Assets and Finance Committee, member of the 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; Vice Chair of the British Columbia Chapter Executive of the Institute of Corporate Directors; Member Board of Directors Economical Insurance; and Director, Definity Financial Corporation.

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 and GCB.D designations.

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 the following: 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. Mr. Minzberg's former appointments include: Member of the Board of Directors and Member of the Audit, Risk and Nominating and Governance Committees, HSBC North America Holdings Inc.; 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.

Andrea Nicholls is currently the Chief Financial Officer, Dentons' Canada Region. From 2011 to 2019 she was Vice President, Finance at Triton Digital Inc. Her other appointments include the following: Director, Centraide of Greater Montreal (United Way). She is a seasoned finance professional with expertise in both private and public companies spanning various sectors including legal, high-tech, finance, multimedia, digital, pharma and shared services. Andrea is a member of Dentons' Canada National Management Committee; the Executive Chair and co-founder of Dentons Canada's Black Professionals Network; and a member of their Inclusion & Diversity Council. Ms. Nicholls holds a Graduate Diploma, Public Accountancy and a B.Com, Finance from McGill University. She holds the designations Chartered Professional Accountant (CPA, CA) and Certified Public Accountant (CPA-US).

Mark S. Saunders is the former Executive Vice President, Enterprise Services, Sun Life Financial where he led areas including real estate, procurement and shared business services. He also previously served as Executive Vice President & Chief Information Officer, Sun life Financial from 2009 to 2020. Prior to joining Sun Life Financial he was Senior Technology Officer for Barclay's Commercial Bank and held executive roles with BMO Financial Group, including as Chief Information Officer, BMO Nesbitt Burns Inc. Mr. Saunders' other current appointments include: Member of the Sinai Health System Board of Directors and Board of Directors of the Collingwood General and Marine Hospital. 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, 2021 and December 31, 2020, to our external auditor, PwC, are detailed below.

Fees (thousands)	2021	2020¹
Audit Fees ²	5,153	5,325
Audit-Related Fees ³	163	256
Total	5,316	5,581

- 1. The 2020 amounts have been updated to reflect \$0.04m 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.*
- 2. Audit fees include the quarterly review and annual audit of the consolidated financial statements of the Bank and the financial statements of our subsidiaries and services provided related to ongoing statutory and regulatory filings and those related to offering documents.*
- 3. Audit related fees includes fees paid for the audit of our pension funds and other services traditionally performed by the Bank's independent auditor.*

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. Additional financial information is provided in the Bank's consolidated financial statements and MD&A for the year ended December 31, 2021, which can be obtained from SEDAR at 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:

- 1.1 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;
- 1.2 risk-related matters impacting the Bank and its subsidiaries, including risk governance and internal control systems; and
- 1.3 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 ensuring the Bank's compliance with the duties referred to in s. 195.1(3) 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 the Nomination & Corporate Governance Committee of HSBC Holdings plc.

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 external auditor is entitled to receive notice of, attend, and be heard at, every meeting of the Committee.

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.

The Secretary of the Committee is the Corporate Secretary (or his/her nominee).

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 and disclosure 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 advise the Board whether 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;
 - 5.1.14 review the Bank's financial statements, management's discussion & analysis and annual and interim profit of loss press releases before the Bank publicly discloses this information; and
 - 5.1.15 report and provide assurances to the Board on the Bank's compliance with all applicable corporate governance codes or standards and regulations in relation to financial reporting.
- 5.2 Internal Audit**
- 5.2.1 review and approve the Internal Audit charter;
 - 5.2.2 review and approve the risk based Internal Audit plan, including material changes during the year and satisfy itself the Internal Audit plan is aligned to the key risks of the bank;
 - 5.2.3 review and approve the Internal Audit budget and resource plan and monitor, assess and conclude upon the independence, performance, and effectiveness of the Internal Audit function relative to its plan and other matters;
 - 5.2.4 receive regular reports from the Internal Audit function and consider major findings and management's responses;
 - 5.2.5 satisfy itself there is appropriate co-ordination between Internal Audit and the external auditor;
 - 5.2.6 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;
 - 5.2.7 approve the qualifications, and recommend to the Board the appointment or removal of the Head of Internal Audit and where the tenure of the Head of Internal Audit exceeds seven years, the Committee should explicitly discuss annually the Chair's assessment of the independence and objectivity of the Head of Internal Audit; and
 - 5.2.8 the Chair of the Committee is accountable for recommending the remuneration of the Head of Internal Audit to the Board.
- 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 quality and 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; and
- 5.3.8 oversee the implementation by management of the HSBC Group policy for the engagement of former employees and contractors of the external auditor.
- 5.4 Internal controls*
- 5.4.1 review the effectiveness of the 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; and
- 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 oversee the local implementation of the Group's policies and procedures for capturing and responding to whistleblower concerns and oversee the local implementation of the Group's procedures to ensure confidentiality, protection and fair treatment of whistleblowers, including in accordance with its responsibilities in section 7.5.2 of these Terms of Reference; and
- 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 (including capital & liquidity, retail and wholesale credit risk, strategic risk, and market risk) and non-financial risks (including resilience risk (incorporating information technology, cyber security and third party risk), financial crime and fraud risk, regulatory compliance risk, people risk, legal risk, model risk, and financial reporting and tax risk).
- 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 (including technology strategy and climate 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 effective management of risk relating to the Bank's IT and operational resilience, including risk relating to the execution of the technology aspects of the approved Group or Company strategy, cyber security and serious, large scale, organized crime relating to information security; 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 Risk management framework and internal control systems**
- 6.4.1 To annually review the Bank's 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 review 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 budget and resources for the Risk function; 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 Purpose-Led Conduct Approach

7.2.1 The HSBC Conduct Approach is directly aligned with our Group value, "taking responsibility", recognising the real impact we have for our customers and the financial markets in which we operate. Success is measured against five Conduct Outcomes

- 1. We understand customers' needs.
- 2. We provide products and services that offer a fair exchange of value.
- 3. We service customers' ongoing needs, and will put things right if we make a mistake.
- 4. We act with integrity in the financial markets we operate in.
- 5. We operate resiliently and securely to avoid harm to customers and markets.

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.
- b. Overseeing the management of compliance with any future regulatory requirements or guidelines related to Conduct.

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

Quarterly: Reviewing, as available:

- a. Material conduct updates for the Bank as they relate to customers.
- b. Updates on the conduct-focused risk and control profile.
- c. Issues data as it relates to material conduct risks.
- d. Consolidated conduct metrics from first line of defence data, with a focus on metrics identified as "Amber" or "Red" and respective remedial activity.
- e. Updates on any reportable events, external events, regulatory updates or on any material internal activity, as applicable.

Annually: Receiving an overview of how the Global Conduct Outcomes have been embedded within the business, as reflected in the Conduct element of the Compliance Performance Assessment for the Chief Executive Officer scorecard.

7.3 Responsible Persons

7.3.1 The Committee is responsible for overseeing OSFI Guideline E-17: Background Checks on Directors and Senior Management of Federally Regulated Entities ("Guideline E-17") and shall:

7.3.2 Provide challenge, advice and guidance on the Bank's Assessment Policy of Responsible Persons;

7.3.3 Receive concerns elevated by senior management regarding:

- a. the suitability and integrity of a potential or existing Responsible Person, or
- b. the manner in which the Bank's Assessment Policy of Responsible Persons is implemented.

7.4 *Further Responsibilities under the Bank Act*

- 7.4.1 The Committee shall monitor the Bank's compliance with, and review and approve any material amendments to, procedures established for identifying and resolving potential conflicts of interest, as well as restricting the use of confidential information;
- 7.4.2 The Committee has been appointed as the committee responsible for ensuring the Bank's compliance with consumer provisions referred to in s. 195.1(3) of the Bank Act. In carrying out its oversight role, the Committee shall:
- ensure management establishes procedures for complying with the consumer provisions;
 - review management's procedures to determine whether they are appropriate and will ensure compliance with the consumer provisions; and
 - receive reports from management, at least annually, on the implementation of the procedures and on any other activities that pertain to the protection of its customers.

7.5 *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:

- the Bank's and its subsidiaries' compliance as described in these Terms of Reference; and
- 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 *Reporting, Certificates and Assurances (Escalation)*

- 8.1.1 As the Bank is a Principal Subsidiary of HSBC Holdings plc:
- To provide a quarterly¹ report to the Group Audit Committee and Group Risk Committee, in the form and manner as required by each of the Group Audit and Risk Committees; and
 - 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 deviations² from the Group Core Terms of Reference require the endorsement from 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.

1. Includes the formal Principal Subsidiary Certificates to the Group Audit and Risk Committees for the half year and annual reporting periods.

2. 'Material deviations' shall refer to lessening or diminishing of responsibilities contained in the Group Core Terms of Reference. For the avoidance of doubt: (i) enhancements or additions to the Bank's Terms of Reference, including additions required under local rule, regulation or law and (ii) removal of optional/ alternate language that is not relevant to the Bank, do not need to be escalated for approval.