

HSBC INSURANCE (SINGAPORE) PTE. LIMITED

Corporate Governance Report 2019

Date: 15 May 2020

Registration Number: 195400150N



CORPORATE GOVERNANCE REPORT

INTRODUCTION

HSBC Insurance (Singapore) Pte. Limited (“**INSN**” or the “**Company**”) was incorporated in Singapore on 13 December 1954 and is an indirect wholly-owned subsidiary of the Hongkong and Shanghai Banking Corporation Limited (“**HBAP**”), with HSBC Holdings plc (“**HSBC PLC**”) as the ultimate parent. The Company is licensed by the Monetary Authority of Singapore (“**MAS**”) as an insurer to engage insurance business in Singapore.

The Company is guided in its practices by all applicable corporate governance regulations and guidelines that authorities may issue from time to time, as well as internal best practices to the fullest extent possible. In areas where the Company deviates from the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers incorporated in Singapore (the “**CG Guidelines**” or “**MAS Guidelines**”), the rationale is explained in this Corporate Governance Report.

BOARD MATTERS **(Principles 1 to 6, MAS Guidelines)**

Information on Board of Directors



Mr Anthony William Cripps
Chairman of the Board and Non-Executive Director

Academic and Professional Qualifications

- Bachelor of Arts, Economics, University of Sydney
- London Business School of Economics (Published research paper – The Refutation of Random Market Theory)
- The University of New South Wales (Psychology Lecturer – Guest Lecturer of Australian Graduate School of Management)

Mr Cripps was appointed as Non-Executive Director and INSN Board Chairman on 1 April 2017 and was last re-elected as a director on 28 June 2019.

Mr Cripps has worked in the banking industry for more than 30 years and has held senior management roles in institutional banking, treasury, trading and sales businesses, transaction banking, information technology and operations. He joined HSBC in 1986 as a floor trader for the Sydney Futures Exchange, went on to manage the futures business in Australia and eventually became the Head of Foreign Exchange and Rates Strategy for HSBC Asia Pacific. From 2000 to 2006, he was based in Hong Kong as Head of e-Commerce for HSBC Asia Pacific and then in London as Head of e-Commerce, Global Banking and Markets for the HSBC Group. In 2006, he returned to Australia as Head of Global Markets and subsequently took on the expanded role of Head of Global Banking and Markets. He was the President and CEO of HSBC Philippines between 2010 and 2012, during which he also served as Chairman of HSBC Savings Bank and HSBC Insurance Brokers, Inc., Chairman and Trustee of HSBC Retirement Trust Fund, Inc. and a director of OCLP Holdings, Inc. Between 2013 and his appointment as CEO in Singapore, he was the CEO of HSBC Australia, which experienced a period of significant growth under his leadership

Current Directorships

- HSBC Bank (Singapore) Limited: Director and CEO
- HSBC Institutional Trust Services (Singapore) Limited: Chairman
- HSBC Trustee (Singapore) Limited: Chairman
- HSBC Global Asset Management (Singapore) Limited: Director
- HSBC Securities (Singapore) Pte Limited: Chairman
- HSBC (Singapore) Nominees Pte Ltd: Chairman
- HSBC International Trustee (Holdings) Pte. Limited: Chairman

Past Directorships in listed companies in last three years

- Nil

Other principal commitments

- The Hongkong and Shanghai Banking Corporation Limited: Executive Committee member
- The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch: Chief Executive Officer and Authorised Representative
- The Association of Banks in Singapore: Council Member
- The National Youth Achievement Award Advisory Board: Member
- The Institute of Banking and Finance: Council Member



Mr Carlos M Vazquez
Chief Executive Officer and Executive Director

Mr Vazquez was appointed as Chief Executive Officer and Executive Director of INSN on 12 March 2018 and was last re-elected as a director on 28 June 2019. The CEO role covers all operations, finance, distribution management and third-party business under his responsibility.

Prior to joining HSBC Insurance Singapore, Mr Vazquez was from Manulife (Singapore) Pte. Ltd where, as Chief Product Officer, he oversaw product management and pricing. He also previously served as the Chief Product Officer for Manulife Indonesia, where he led the launch of many local product innovations.

Academic and Professional Qualifications

- Bachelor of Arts (Actuarial Science) - Summa Cum Laude, University of Connecticut
- Society of Actuaries and a Member of the American Academy of Actuaries (Fellow)

Current Directorships

- HSBC Insurance (Asia-Pacific) Holdings Limited: Director

Past Directorships in listed companies in last three years and Other Principal Commitments

- Nil



Mr Babak Nikzad Abbasabadi
Independent Non-Executive Director, Audit Committee Chairman and Risk Committee member

Mr Abbasabadi was appointed as Independent Non-Executive Director, Audit Committee Chairman and Risk Committee Member on 2 January 2019. He was last re-elected as a director on 28 June 2019. He was with the KPMG Group from September 1987 to March 2017 when he retired as the KPMG Hong Kong/China Partner. He holds Directorships in Hazelhurst Global Limited (BVI company), Bnsight Limited and Quantum Connections Sdn Bhd.

Academic and Professional Qualifications

- Bachelor of Science (Engineering), King's College, University of London, UK
- Master of Science, Imperial College, University of London, UK
- Hong Kong Institute of Certified Public Accounts: Member
- Institute of Chartered Accounts in England and Wales: Member

Current Directorships

- HSBC Insurance (Asia) Limited: Independent Non-Executive Director, Chairman of Audit Committee and Member of Risk Committee
- HSBC Life International Limited: Independent Non-Executive Director and Member of With-Profits Committee

Past Directorships in listed companies in last three years

- Nil

Other principal commitments

- Hazelhurst Global Limited: Director
- Quantum Connections Sdn Bhd: Director
- Bnsight Limited: Director



Mr Paul Stewart Menzies
Independent Non-Executive Director and Audit Committee member

Academic and Professional Qualifications

- Eccles Hall & Bromley Technical High (Graduated)
- Wharton Executive Development Program in 2002 (Certificate)



Mr James Tan Lai Hing
Independent Non-Executive Director, Audit Committee member and Risk Committee member

Other principal commitments

- 360F Fintech Asia Pte. Ltd. (Senior Advisor of Advisor Committee)

Mr Menzies was appointed as Independent Director on 3 June 2016 and Audit Committee Member on 2 January 2019, and was last re-elected as a director on 28 June 2019. He was the Audit Committee Chairman from 1 April 2017 to 1 January 2019.

Before joining the Board, he was Managing Director for the Insurance Business in Hong Kong for HSBC Insurance (Asia) Ltd, where he managed the business as part of the overall retail and wealth management strategy of the Company. Prior to this, he was Head of Insurance, North Asia & Regional Head of Strategic Development where he was responsible for the Taiwan and Korea businesses and the regional strategic development of the Asia business.

He had been appointed Director in several insurance companies such as HSBC Life Insurance Co Ltd, HSBC Life (International) Ltd and HANA HSBC Ins Co Ltd among others. Paul retired and left HSBC Group's employment in April 2014.

Current Directorships, Past Directorships in listed companies in last three years and other principal commitments

- Nil

Mr Tan was appointed as an Independent Director, Audit Committee member and Risk Committee member on 30 April 2020.

Mr Tan has been a Chief Executive Officer of Tokio Marine Life Insurance Singapore. Mr Tan has also been a Managing Director for Friends Provident International, a Group Head for AIA's Partner Distribution in Hong Kong and served as the Global Head of Bancassurance at Standard Chartered for seven years. In Standard Chartered Bank, he successfully expanded the insurance business from 6 to over 30 markets spanning across Asia, Middle East and Africa with an annual revenue growth of approximately +50% every year for 7 consecutive years.

Academic and Professional Qualifications

1. Master of Business Administration - UCLA, Los Angeles, California/National University of Singapore
2. Master of Science and BBA, Actuarial Science, Georgia State University, Atlanta, Georgia, US

Current Directorships

- LINC Financial Pte. Ltd: Director
- Pand.ai Pte. Ltd.: Director

Past Directorships in listed companies in last three years

- Nil



Mr Eric, Jean-Marie, Armand Emore
Non-Executive Director, Risk Committee
Chairman and Audit Committee member

Academic and Professional Qualifications

1. Master of Science in Finance, ESSEC
2. French Fellowship of Actuary (Member)

Mr Emore was appointed as Non-Executive Director and Audit Committee Member on 1 April 2017, and was last re-elected as a director on 28 June 2019. He was appointed as Risk Committee Chairman on 2 January 2019. Eric is currently CEO of HSBC Insurance France and a Head of International Insurance and Insurance partnership.

Mr Emoré is a graduate of the ESSEC (Master of Science Finance) and qualified with the French Institut des Actuaire in 2015. He began his career in 1995 at BNP Paribas as an interest rate swap trader. He later joined the financial institutions department of Ernst & Young.

He joined HSBC France's M&A team with a focus on the banking and insurance sector in 2001. He became a managing Director in 2008. Mr Emore was appointed as a CEO of HSBC Assurance Vie France and Head of HSBC Insurance Europe in 2014 and 2017 respectively.

Current Directorships

- HSBC Assurance Vie (France): Director
- HSBC REIM (France) : Director
- HSBC Life Assurance (Malta) Limited: Director

Past Directorships in listed companies in last three years and other principal commitments

- Nil



Mr Raghujit Singh Narula
Non-Executive Director and Risk Committee
member

Academic and Professional Qualifications

1. Massachusetts Institute of technology (Fintech Future Commerce)
2. MBA, Columbia Business School / London Business School (Global Executive Program)
3. Master of Science, Finance, BITS, Pilani, India

Raghujit was appointed as Non-Executive Director and Risk Committee Member on 2 January 2019, and was last re-elected as a director on 28 June 2019.

Mr Narula has worked in the banking industry for more than 17 years, with management roles in retail banking and wealth management. He has been a Head of Customer Service and Distribution (RBWM) of HSBC UK and currently a Global Head of International and Cross-Border.

He first joined HSBC in 1999 as Relationship Manager trade services at HSBC India and was involved in retail banking before being appointed as Head of Retail Banking and Wealth Management ("RBWM") of HSBC Poland.

He served as Senior Manager (Strategy and Planning) and in the same year, was appointed Head of Business Performance (RBWM) of HSBC Turkey. In 2014, he was the Regional Director-London (RBWM) and was appointed the Head of Customer Service and Distribution (RBWM) of HSBC UK.

Current Directorships, Past Directorships in listed companies in last three years and other principal commitments

- Nil

The Board and its role

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

Board Duties

The key responsibilities of the Board include:

- (i) reviewing and overseeing the objectives as set by the sole shareholder for the Company and the strategies for achieving those objectives;
- (ii) risk appetite and governance including financial crime risk and Global standards;
- (iii) setting corporate values, culture and standards;
- (iv) ensuring a suitable and transparent corporate structure; and
- (v) ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Company by ensuring appropriate procedures for monitoring and controlling operations are in place.

In discharging its responsibilities, the Board, among other things, has regard to the CG Guidelines and the CG Regulations and Insurance Act, as revised from time to time. These Guidelines and Regulations require the Directors to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Board Delegation

The Board has delegated authority to the Chief Executive Officer (“**CEO**”) in relation to the management and day to day running of all business and support functions of the Company within certain financial limits and in accordance with certain directions, with the power to sub-delegate. All other matters are reserved to the Board.

The following matters specifically require Board approval:

- (i) reviewing strategic plans, operating plans, risk appetite and performance targets for the Company;
- (ii) the establishment of effective procedures for monitoring and control of operations including internal procedures for audit, risk and compliance;
- (iii) the authority or the delegation of authority to approve credit, market risk limits, acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
- (iv) appointments to the positions of Chairman, Director including independent Directors, CEO, Chief Financial Officer (“**CFO**”), Chief Risk Officer (“**CRO**”), Appointed Actuary and Company Secretary; and
- (v) any substantial change in the policies established from time to time by the Board for balance sheet management including capital adequacy, liquidity, maturity structure of assets and liabilities, interest rate and exchange rate risks and asset concentration both geographically and by sector.

Board Committees, Meetings and Attendance

The Board performs the role of the Nominating and Remuneration in 2019. Besides Audit Committee (“AC”) that was established on 1 April 2017, the Board has established a separate Risk Committee (“RC”) on 2 January 2019.

The Board meets at least four times a year to review business performance and key activities, as well as to provide policies. Ad-hoc Board Meetings will be convened if warranted. AC and RC meetings are held before Board meetings.

The number of meetings of Board, AC and RC held in 2019 and attendance of the Directors at these meetings are tabulated below.

Number of meetings of the Board, Audit Committee and Risk Committee held in 2019 and attendance

Meetings	ED/NED/INED	Board	AC	RC
Number of Meetings		6	5	4
Anthony William Cripps	Chairman and NED	5	-	-
Carlos M Vazquez	ED	6	-	
Eric, Jean Marie, Armand Emore	NED	5	5	4
Raghujit Narula	NED	6	-	4
Paul Stewart Menzies	INED	6	5	-
Babak Nikzad Abbasabadi	INED	6	5	4
Raymond Kwok Chong See*	INED	4	3	-

**Mr Raymond Kwok Chong See resigned as an Independent Director and member of Audit Committee on 23 August 2019.*

Board Development

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

Orientation

All new Directors are given an induction on their general duties and liabilities as Directors. All Directors are also issued the terms of reference of the Board, which covers the HSBC Group’s internal policies on corporate governance activities. As part of the induction programme for independent Directors, CEO and senior management of the Company provide briefings to independent Directors on the Company’s principal activities. The induction programme is tailored to address specific development needs of the new Directors. A Memorandum for Directors which contains information of Director’s duties and responsibilities (under the Companies Act) key information on the Company, terms of reference of the Board and Board Committees was issued to new independent Directors. Directors are also appraised of their specific statutory duties and obligations under the Insurance Act and regulations by the Regulatory Compliance department. A formal appointment letter was issued to every new independent Director.

Continuous Development

Directors are required to undergo mandatory training on a wide range of topics relating to the governance, business activities and operations of the HSBC Group. Mandatory training covers Anti-money laundering, Sanctions, Bribery and Corruption, Embedding good conduct, Data Privacy and Cyber Security. In addition, Directors have access to continuous professional development programmes to ensure that they can perform their roles as stewards of the Company effectively. The Directors are regularly updated and/or briefed on the Company's businesses and the regulatory changes on industry specific issues during quarterly board meetings. These updates are presented by senior management of the Company. Directors may also attend appropriate courses, conferences and seminars conducted by professional bodies.

Culture and Conduct

As a wholly-owned subsidiary of HSBC through a chain of intermediaries, the Company has adopted HSBC Values, which are aimed at promoting and maintaining high levels of professional conduct of the business. These values emphasize, among others, integrity, honesty and proper conduct at all times, both with respect to internal dealings and external transactions. All employees of the Company are required to undergo training on the HSBC Values and such values are inculcated throughout the Company through the performance management system, where employees are assessed not only on what they have done, but whether their behavior was aligned to the Values.

The Company has established guidelines for assessing and handling customer complaints received and properly documenting the assessment outcome for each complaint. Management reviews regular reports on customer complaints and highlights material complaints to the Board.

Board's Responsibility for Appointment of Senior Management

- (i) The following key executive person appointments are approved at Board level:
 - (a) the CEO;
 - (b) the CFO;
 - (c) the CRO;
 - (d) the appointed actuary; and
 - (e) the company secretary.

- (ii) The CEO informs the Board on his other proposed senior appointments.

- (iii) The reasons for the removal of the CEO, CRO, CFO, Company Secretary and the appointed actuary are reviewed at the Board.

Board Composition

The Board comprises a balance of executive, non-executive, independent and non-independent Directors and that no individual or small group of individuals can dominate the Board's decision-making. The Company is compliant with the CG Regulations which require that independent Directors make up at least one-third of the Board.

The Board possesses, both as individual Directors and collectively, appropriate experiences, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. The Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Company pursues (or intends to pursue) and the associated risks in order to ensure effective governance and oversight.

The Company is committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

During the year 2019, one independent non-executive Director stepped down from the Board. As at the date of this report, the Board currently comprises seven members. Out of the members, three are independent non-executive Directors, three are non-executive Directors and one is an executive Director. They are:

1. Anthony William Cripps, Non-Executive Director
2. Carlos M Vazquez, Executive Director
3. Eric, Jean Marie, Armand Emore, Non-Executive Director
4. Raghujit Narula, Non-Executive Director
5. Paul Stewart Menzies, Independent Non-Executive Director
6. Babak Nikzad Abbasabadi, Independent Non-Executive Director
7. James Tan Lai Hing, Independent Non-Executive Director

Mr James Tan Lai Hing joined the Board on 30 April 2020. Mr Paul Menzies will step down from the Board when his term of appointment ends on 2 June 2020.

The Board has assessed the independence of Directors based on the criteria in the CG Regulation. In assessing each Director's independence, the Board considers the Director's profile, disclosures of his other appointments, interests or personal circumstances as well as responses in questionnaires. The questionnaires are designed for assessing a Director's independence based on the criteria in the CG Regulations and CG Guidelines and whether he/she is a fit and proper person for office based on the MAS Guidelines on Fit and Proper Criteria. None of the independent Directors has served on the Board for more than nine years from the date of their first appointment. The details of Board Assessment of Independence of Directors are set out in Page 12 and 13.

The Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate and are held by unrelated individuals.

Mr Anthony William Cripps is the Board Chairman. The Chairman's responsibilities include providing leadership to the Board, setting the agenda for Board meetings, ensuring that Directors receive timely and comprehensive information for informed deliberations and promoting high standards of corporate governance.

The CG Guidelines have recommended the appointment of a lead independent Director where the Chairman is not an independent Director. The Board is of the view that it is not necessary to do so as there is a strong independent element on the Board, notwithstanding that the Bank is a wholly-owned subsidiary. Further, the Chairman is able to foster open and constructive discussions during meetings and, as a nominee of the Shareholder, to facilitate effective communication with the Shareholder.

The Chief Executive Officer of the Company is Mr Carlos M Vazquez. He leads the management team and implements the decisions of the Board and Board Committees. Assisted by management committees, the CEO is responsible for the Company's day-to-day operations

and business, including ensuring the continued adequacy and effectiveness of the system of internal controls and risk management.

Selection and nomination of Directors

The Board performs the functions of a nominating committee. The criteria applied by the Board in identifying and evaluating candidates include (i) compliance with the CG Regulations requirements on independence and composition for Board and board committees; (ii) whether the candidate is a fit and proper person for the office and is qualified for office, taking into account inter alia, the candidate's experience, capabilities and skills; (iii) whether the candidate has the appropriate knowledge and skills that the Board and board committee members require to discharge their responsibilities effectively (“**skills matrix**”); and (iv) whether the candidate will be able to allocate sufficient time to discharge his responsibilities effectively.

In recommending the appointment of executive and non-executive Directors to the Board, the Board seeks to ensure that these Directors fulfill their criteria and skill sets which are aligned with the strategic direction and emerging challenges faced by the Company.

As part of the fit and proper assessment, the Company conducted vetting checks which included credit bureau, litigation and blacklist searches. MAS approvals where required will also be obtained.

The Board in considering whether the candidate would be able to allocate sufficient time and the terms and conditions of the appointments of independent non-executive Directors are set out in their letters of appointment, which includes the expectations of them and the estimated time required to perform their role. All independent non-executive Directors have confirmed they can devote the required time commitment, taking into account any other commitments they have at the time of appointment, and, in practice, most devote considerably more time. In addition, Directors who are HSBC Group employees are also subject to HSBC Group requirements on outside Directorships. The HSBC Group's internal policies require all Directors to allocate sufficient time to discharge their responsibilities to the Company effectively.

Outside Directorships and Conflicts of Interest

The Board has established a policy and a set of procedures relating to Directors' conflicts of interest. Where conflicts of interest arise, the Board has the power to authorise them. On appointment, new Directors are advised of the process for dealing with conflicts and the process for reviewing those conflicts when they have been authorised. The terms of those authorisations of conflicts are routinely undertaken by the Board. During the year no conflicts of interest arose.

To avoid conflicts of interest, all Directors are required to obtain pre-clearance of any external appointments from the Board. The Board has also established a limit on listed companies' Directorships. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than three listed companies, while a Director who does not have any full-time employment shall have appointments in no more than six listed companies.

Key Appointment Holders

In 2019, there were a number of changes to the key appointment holders, these include:

- Mr Raymond Kwok has stepped down as an Independent Non-Executive Director of the Company on 23 August 2019.

- Mr Gajan Yoganarandan was appointed as the Chief Risk Officer of the Company in place of Mr Alasdair Spry who left the service of the Company to pursue other opportunities.
- Mr Kapil Arora took the role of Chief Financial Officer of the Company in place of Adrian Tan who left the service of the Company.
- Ms Lorraine Chan was appointed as a Key Person of the Control Function of the Company in place of Mr Sandeep Sharman who was previously appointed in the Internal Audit Function on an interim basis.
- Ms Eileen Tay resigned as a Company Secretary of the Company.
- As at the date of this report, there were two new appointments as follows:-
- Mr James Tan Lai Hing has been appointed as an Independent Non-Executive Director 30 April 2020.
- Ms Cheah Mean Hui has been appointed as the Company Secretary on 1 March 2020.

Re-Election of Directors and Board Annual Assessment

Each of the Directors are subject to re-election at the Annual General Meeting (“AGM”). All Directors of the Company, except for Mr James Tan Lai Hing who was appointed in 2020, were re-elected at the AGM held in 2019.

The Board conducted its annual review to assess (i) the independence status of each Director, (ii) whether each Director remained a fit and proper person and qualified for office, (iii) each Director’s attendance, time commitment and contribution, and (iv) the composition of the Board against the skills matrix. Prior to the Board meeting, the Directors completed fit and proper declarations confirming their fit and proper status. The Board had concluded that each Director was fit and proper for the position of Director on the basis of their assessment, the individual’s fit and proper declarations and results of various searches including credit bureau, litigation and blacklist searches conducted on each Director.

Independence of Directors

The independence of a Director is determined based on the criteria set out in the CG Regulations and the CG Guidelines. The CG Regulations provide that a Director is considered independent if he is independent from management and business relationships and the substantial shareholder, and if he has not served on the Board for a continuous period of nine years or more.

The Board reviewed the independence of all Directors supplemented by their responses to the independence questionnaire in May 2020 meeting. They have made the following assessment and concluded the independence status of the Directors as follows:-

- Mr Carlos M Vazquez (“**Mr Vazquez**”) is currently the CEO of the Company. He is an Executive Director and has day-to-day responsibilities for management of the Company’s business, therefore, he is not independent from management and business relationships. Mr Vazquez is not independent from substantial shareholder as the ultimate holding company for all HSBC subsidiaries is HSBC PLC and he is an employee of HSBC Group.
- Mr Anthony William Cripps (“**Mr Cripps**”) is the Country Chief Executive Officer who has oversight responsibility over all HSBC legal entities in Singapore, including INSN. Due

to this reason, he is not considered independent from management. Notwithstanding that, he is not deemed an executive of INSN as he is not involved with the day-to-day operations and decision making of INSN which resides with the CEO. Mr Cripps is not a Director, a substantial shareholder or an executive officer of any corporation, or a partner of a firm or a limited liability partnership or sole proprietor carrying on business for purpose of profit to which INSN or any of its subsidiaries received payments. Therefore, he is considered independent from business relationships. Mr Cripps is not independent from shareholder as the ultimate holding company for all HSBC subsidiaries is HSBC PLC and he is an employee of the HSBC Group.

- (iii) Mr Babak Nikzad Abbasabadi (“**Mr Abbasabadi**”) is independent from management, business relationships and shareholder. He is not employed nor does he has business relationships with HSBC Group. Although he is currently the Audit Committee Chairman of HSBC Insurance (Asia) Limited, and HSBC Life (International) Limited. The Board is satisfied that Mr Abbasabadi’s independent business judgment and ability to act in the interests of INSN is not be impeded, despite being a Director of its associate companies. He is independent as he has not served on the Board for 9 years or longer.
- (iv) Mr Tan Lai Hing (“**Mr Tan**”) is considered independent non-executive Directors. Mr Tan is unaffiliated to HSBC as he is not employed by any HSBC companies. He has no personal banking relationship with HSBC nor do they have any connection with a substantial shareholder within the Group. None of their family members are employed by or have a personal banking relationship with the Company. He is independent as he has not served on the Board for 9 years or longer.
- (v) Mr Paul Stewart Menzies (“**Mr Menzies**”)’s independence from management was specially considered when he was first appointed by the Board. The Board concluded that Mr Menzies was independent from management because he last worked with a related company in Hong Kong. His previous management responsibilities were entirely separate from the business and operations in Singapore. Since retiring from HSBC in 2014, he has had no business or management relationship with the Group. The Board also considered whether his holdings of HSBC shares given to him as part of share based compensation would undermine his independence from the shareholder, and concluded that the holdings were not material enough to affect his independence from the shareholder. In addition, he is independent as he has not served on the Board for 9 years or longer. He will step down from the Board when his term of appointment ends on 2 June 2020
- (vi) Mr Rahujit Narula and Mr Eric Emore are assessed to be independent from management and business relationships but they are not independent from shareholder as they are HSBC employees employed by HSBC Insurance France and HSBC PLC respectively. They are not involved in the day to time operations and decision making of INSN. In addition, they have no control over payments made or received by INSN to any corporations in which they serve. Both Directors are considered independent under the CG Guidelines as they have remained independent in character and judgement in discharging their duties as Directors of the Company despite the connection with the substantial shareholder.

The Company satisfies the requirement under the CG Regulations where a majority of Directors are required to be independent from management and relationships; and one-third of Directors must be independent in the case where a substantial holder holds 50% or more of the share capital or voting power in an insurer incorporated in Singapore.

Board Performance

The Board performs an annual assessment of its own effectiveness and that of its committees. Each Director participates and evaluates the performance of the Board and board committees based on a set of performance criteria adopted from HSBC Group which includes quality of risk management, adequacy of internal controls, attendance of Directors at Board and board committee meetings, and the individual's skills and expertise. Policies exist whereby if the Board is deliberating upon any matter that involves a member, including his/her performance, that member would recuse himself/herself from the discussions to avoid conflict of interests. The results of these collective self-assessments are reviewed and discussed at the Board. The assessment results are used constructively to discuss improvement opportunities for the Board and Board committees.

The Board had commenced an annual performance evaluation to assess the effectiveness of the Board in 2020. The results of the Board evaluation were presented to the Board at 15 May 2020 Board meeting.

The Board performs an assessment on each Director prior to every AGM to see if he remains qualified for office.

Under the HSBC Group's internal policies, all Directors should be mindful of their individual performance as Directors and of the collective performance of the Board and make recommendations to the Chairman on areas in which these may be improved.

Access to Information

Directors have separate and unrestricted access to information and Management. Directors are entitled to request from Management and be provided with such additional information as needed to make informed decisions and to discharge their duties effectively. Management has an obligation to supply the Board with complete, adequate information in a timely manner. Information provided includes board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of budgets, forecasts and monthly internal financial statements, with material variances between projections and actuals. Information provided on an ongoing basis at board meetings includes financial, business, risk, operational, human resources and regulatory updates. The Board has unrestricted access to the Bank's senior executives at all times. All scheduled Board and Board Committee meetings papers are distributed to Directors not less than 7 days in advance of the meetings. Directors are also equipped with secure access to electronic Board and Board Committee meeting materials. Any additional material or information requested is furnished promptly.

Directors have separate and independent access to the Company Secretary, Internal and External auditors.

The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman she assists with the information flows between the Board and management. The Company Secretary is responsible for the preparation of the Corporate Governance Report, and for facilitating the orientation of new Directors and professional development of Directors as required. The appointment and removal of the Company Secretary is a matter to be considered by the Board as a whole.

There is a procedure for Directors, either individually or as a group, in furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

Minutes of EXCO and Risk Management Committee are circulated to the Board for information.

REMUNERATION MATTERS (Principles 7 to 9, MAS Guidelines)

The Board is responsible for:

- (i) recommending a framework for determining the remuneration of the Directors;
- (ii) recommending a framework for determining the remuneration of the executive officers of the Company which shall include the following elements and factors in the design and operation of the framework:
 - (a) the remuneration package of each executive officer of the Company -
 - aligns to the specific job function undertaken by the executive officer and, where the executive officer undertakes any of the Company's control job functions, the remuneration package of that executive officer is being determined independently of the business functions of the Company;
 - takes into account input from the Company's control job functions as may be relevant to the specific job function undertaken by the executive officer;
 - aligns with the risks that the Company undertakes in its business that is relevant to the specific job function undertaken by the executive officer;
 - sensitive to the time horizon of risks that the Company is exposed to, which includes ensuring that variable compensation payments shall not be finalised over short periods of time when risks are realised over long periods of time;
 - in relation to the quantum of bonus payable to the executive officer, be linked to his personal performance, the performance of his specific job function as a whole and the overall performance of the Company; and
 - in relation to the rationale for the mix of cash, equity and other forms of incentives, be justified; and
 - the size of the bonus pool of the Company shall be linked to the overall performance of the Company.
 - (iii) Recommending the remuneration of each Director and executive officer of the Company based on the frameworks; and reviewing, at least once in each year, the remuneration practices of Company to ensure that they are aligned with the recommendations.

The Human Resources Department is responsible for maintaining records of all papers, minutes, proceedings, discussions on key deliberations and decisions of the Board on remuneration matters.

The Company adopts the Principles for Sound Compensation Practices and Implementation Standards issued by the Financial Stability Board.

Level and Mix of Remuneration

Remuneration is aligned to the HSBC Group's remuneration policy and practices which promote sound and effective risk management and support our business objectives.

The Company's remuneration strategy is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people who are committed to maintaining a long-term career while performing their role in the long-term interests of our stakeholders.

Total compensation (fixed pay and variable pay) is the key focus of our remuneration framework, with variable pay (namely annual incentive and the value of long term incentives) differentiated by performance and adherence to HSBC values.

Where employees are eligible to be considered for a discretionary variable pay award, the amount will be determined based on overall group affordability, any adjustment relating to recognition and conduct, individual performance and adherence to HSBC values.

There is no specific policy setting out the proportion of variable pay over total compensation other than for those employees who have been identified as a Material Risk Taker ("MRT") in accordance with the European Union Regulatory Technical Standard 604/2014. For MRTs, their variable pay awards will be limited to 200% of fixed pay.

In principle, variable pay 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.

All awards are subject to malus and awards granted to employees identified as MRTs are subject to clawback.

Our remuneration strategy, as approved by the Group Remuneration Committee, is based on the following principles:

- An alignment to performance at all levels (individual, business and Group) taking into account both 'what' has been achieved and 'how' it has been achieved. The 'how' helps ensure that performance is sustainable in the longer term, consistent with HSBC's values and risk and compliance standards.
- Being informed, but not driven by, market position and practice. Market benchmarks are sourced through independent specialists and provide an indication of the range of pay levels and employee benefits provided by our competitors.
- Considering the full-market range when making pay decisions for employees, taking into account the individual's and the Group's performance in any given year. An individual's pay will vary depending upon their performance.
- Compliance with relevant regulation across all of our countries and territories.

Based on these principles, our approach to determining remuneration is based on the following objectives:

- Offering our employees a competitive total reward package. This includes market competitive fixed pay levels, which ensures our employees are able to meet their basic day-to-day needs;
- Maintaining an appropriate balance between fixed pay, variable pay and employee benefits, taking into consideration an employee's seniority, role, individual performance and the market;

- Ensuring variable pay is awarded on a discretionary basis and dependent upon Group, business and individual performance;
- Offering employee benefits that are valued by a diverse workforce, appropriate at the local market level and support HSBC's commitment to employee well-being;
- Promoting employee share ownership through variable pay deferral or voluntary enrolment in an all employee share plan; and
- Linking reward packages to performance and behaviour with no bias towards an individual's ethnicity, gender, age, or any other characteristic.

Please refer to the *HSBC remuneration practices and governance* at <http://www.hsbc.com/about-hsbc/corporate-governance/remuneration> and the Capital and Risk Management Pillar 3 Disclosures of HSBC PLC for details of the major design characteristics of the remuneration system including alignment between risk and reward.

Disclosure on Remuneration

The Company is ultimately a wholly-owned subsidiary of HSBC PLC. As set out above, the Company's remuneration is aligned to HSBC Group's remuneration policy and practices. HSBC Group including the Shareholder has full knowledge of the remuneration of executive Director and non-executive Directors employed by HSBC Group and top five key executives.

The Board is also of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure of each of these individuals is not in the best interests of the Company and may affect adversely the cohesion and spirit of team work prevailing amongst the employees of the Company. Since the Company is a wholly-owned subsidiary of HSBC Group, providing such remuneration details will prejudice the Company's interests in relation to its competitive conditions in the financial industry where poaching of executives is common place.

Executive Directors and non-executive Directors employed HSBC Group do not receive any remuneration or fees for their services as Directors in the Company. The remuneration for such Directors is delivered in their capacity of employees of the HSBC Group and is decided in line with HSBC Group's remuneration policy.

There are no employees of the Company who are immediate family members of a Director or the CEO whose remuneration exceeds S\$50,000 during 2019.

The independent Directors are paid Director's fees per table below per annum. The Company does not grant share based compensation to the independent non-executive Directors.

Director	Title	Amount
Babak Nikzad Abbasabadi	Director	SGD50,000
	Audit Committee Chairman	SGD15,000
	Risk Committee Member	SGD10,000
*Paul Stewart Menzies	Director	SGD50,000
	Audit Committee Member	SGD10,000
James Tan Lai Hing	Director	SGD50,000
	Audit Committee Member	SGD10,000
	Risk Committee Member	SGD10,000

*to step down on 2 June 2020.

HSBC operates all-employee share option plans under which options are granted over HSBC ordinary shares. Subject to leaver provisions, all eligible employees are entitled to participate in the all-employee share option plan. Options are normally exercisable after three to five years. HSBC's all-employee share plan is also published on page 170 of the Annual Report and Accounts 2019 for HSBC PLC at this link: <http://www.hsbc.com/investor-relations/group-results-and-reporting/annual-report>.

**Accountability and Audit
(Principle 10, MAS Guidelines)**

Being a wholly owned Company, the Company is accountable to its immediate and ultimate holding companies.

The Board reviews operational and regulatory compliance reports from management to ensure compliance with all Group's operational practices and procedures and relevant regulatory requirements. Regulatory risk reports are tabled at Risk Committee.

Board and Audit Committee members receive quarterly financial statements, operational and other reports from management containing analysis and explanations of variances against budget to understand the Company's financial and operational performance and prospects.

The Audit Committee is responsible for the adequacy of the external and internal audit functions of the Company, including reviewing the scope and results of audits carried out in respect of the operations of the Company and the independence and objectivity of the Company's external auditors.

**Risk Management and Internal Controls
(Principle 11 to 13 MAS Guidelines)**

The Risk Committee comprises of all non-executive Directors:

Name of Director	Board Membership	Risk Committee
Eric, Jean Marie, Armand Emore	Non-Executive Director	Chairman
Babak Nikzad Abbasabadi	Independent, Non-Executive Director	Member
James Tan Lai Hing	Independent, Non-Executive Director	Member
Raghujit Singh Narula	Non-Executive Director	Member

The RC performs the functions specified in the CG Regulations and CG Guidelines. Its key responsibilities include but are not limited to overseeing and advising the Board on all high-level risk related matters. Its responsibilities, powers and authorities are clearly defined in its Terms of Reference. The Committee may invite any Director, executive, external auditor or other person to attend any meetings of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective.

The Risk Committee is responsible for internal control in the Company and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposal; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage and mitigate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

As a requirement under the Group annual CEO Attestation process, CEO of the Company confirms that the internal control framework of the Company has been assessed and any significant open issues have been identified, with action plans in place to address weaknesses.

CEO provides regular updates to the Board on the following areas:

- (i) Regulatory Compliance & Financial Crime Compliance matters;
- (ii) Information technology controls;
- (iii) Operational matters; and
Risk Management systems.

Board's Statement on Internal Controls

Based on the internal controls established and maintained by the HSBC Group, work performed by the internal and external auditors, and the annual CEO Attestation, the Board, through the Audit Committee and Risk Committee, is of the opinion that the system of internal controls, including financial, operational, and compliance controls and risk management systems, were adequate as at 31 December 2019, to address the risks which the Company considers relevant and material to its operations. The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud and other irregularities.

Risk Management Framework

The Board also oversees the establishment and the operation of an independent risk management framework for managing risks on an enterprise-wide basis; and the adequacy of the risk management function of the Company, including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines.

Risk Appetite Statement and Risk Reports

Board approves, on an annual basis, the risk appetite statement, which describes the types and levels of risk that the Company is prepared to accept in executing its strategy, and the credit and market risk mandate, which are key components of the risk management framework. At every meeting of the Board, the CRO will give an update on the risk dashboard, the regulatory ratios, the appointed actuary update, the solvency stress test results, and the results of any stress testing conducted in accordance with MAS requirements.

Financial Crime Risks: Enterprise Wide Risk Assessment (EWRA)

EWRA is an assessment of the Company's enterprise-wide money laundering and sanctions risks. The objective is to enable the Company to better understand its overall vulnerabilities to financial crime risks and to form the appropriate strategies to mitigate the identified risks. Areas identified for improvement for the Company during the EWRA exercise are tracked to completion.

Own Risk and Solvency Assessment ("ORSA")

The ORSA is a key risk management process within the overall Enterprise Risk Management (ERM) framework for the Company. The ORSA process makes a forward looking assessment of the overall solvency needs of the Company considering its internal Economic Capital (EC)

model as well as its Regulatory Capital (RC) position. In making the assessment it has regard to the Company's business plan, its overall strategic plan and the Company's own view of the key risks it is facing, both now and in the future together with the controls / risk mitigations against these risks.

The 2019 ORSA report was approved by the Board at the Board meeting in the fourth quarter of 2019 and submitted to MAS thereafter.

Audit Committee (Principle 14, MAS Guidelines)

The AC comprises of a majority of independent non-executive Directors and all are non-executive Directors:

Name of Director	Board Membership	Audit Committee
Babak Nikzad Abbasabadi	Independent, Non-Executive Director	Chairman
*Paul Stewart Menzies	Independent, Non-Executive Director	Member
James Tan Lai Hing	Independent, Non-Executive Director	Member
Eric, Jean Marie, Armand Emore	Non-Executive Director	Member
<i>*to step down on 2 June 2020.</i>		

The AC performs the functions specified in the Companies Act, CG Guidelines and CG Regulations and is accountable to the Board for oversight of financial reporting. It has explicit authority to investigate matters within its terms of reference and full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings. The AC's TOR describes its responsibilities.

In addition to the review of the Company's financial statements, the AC reviews and evaluates with the external auditors and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, policies and systems. It reviews the independence and objectivity of the external auditors, and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and reports from the external auditors. When external auditors provide non-audit services to the Company, the AC keeps the nature, extent and costs of such services under review, in accordance with the HSBC Group policy on engagement of the external auditor to supply non-audit services. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The AC members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. The AC also reviews any findings of major investigations of internal control over financial reporting matters as delegated by the Board or on the Committee's initiative and assess management's response.

The AC held five meetings in 2019. The AC TOR provides that the AC shall meet with such frequency and at such times as it may determine. It is expected that the AC shall meet at least four times each year.

The Company's external auditors have access to and provide regular reports to the AC. The external auditors present their audit plan for the Company and their evaluation of the Company's internal accounting controls to the AC for approval. The status of any corrective

action required arising from material findings in the external auditor's report is tracked by the relevant function and reported to the AC at its quarterly meetings until they have been addressed conclusively. The AC meets with the external auditor and with the Head of Internal Audit, in separate sessions and without the presence of Management, at least once a year, to ensure that there are no unresolved issues or concerns. It also undertakes or considers on behalf of the Chairman or the Board such other related tasks or topics as the Chairman or the Board may from time to time entrust it to.

In respect of FY2019, the AC:

- (i) has reviewed the audited financial statements with Management, including discussions on the quality of the accounting principles applied and significant judgments affecting the financial statements;
- (ii) has discussed with the external auditors the quality of the above principles and judgments; and
- (iii) believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with Management and the external auditors.

The AC makes recommendations to the Board for the appointment, re-appointment and removal of external auditors; and approves the remuneration and terms of engagement. The Board met with the external auditors to discuss their audit of financial year ended 31 December 2019, and reviewed the independence and objectivity of the Company's external auditors. The AC reviewed the amount of non-audit services provided by the external auditors provided to the Company for 2019 and was satisfied that the nature and extent of such services did not prejudice the external auditor's independence and objectivity. The external auditors has provided a confirmation of their independence to the AC. Based on the confirmation and based on the review, the AC was satisfied that the external auditors can be considered independent. For the financial year ended 31 December 2019, the external auditors were paid the following:-

<u>Breakdown of fees paid:</u>	<u>S\$('000)</u>	<u>%</u>
Fees paid to Auditors of the Company	637	96
Non-audit fees paid to Auditors of the Company	26	4
Total	<u>663</u>	<u>100</u>

Whistle-blowing policy

The Company's employees have every opportunity to escalate concerns or known violations of company ethics or workplace policies. In the very rare circumstances when an employee witnesses or experiences a possible incident of alleged wrongdoing or violation of company policy, he/she can report it to a manager, a senior manager, human resources, compliance, or raise it on HSBC Confidential, a portal for employees to raise such issues in confidence, without fear of retaliation. Whistle Blowing Reporting is a standing agenda at AC meetings.

Employees may report actual or suspected unlawful activity or violation of company policy to:

- (i) the Group Compliance Disclosure Line;
- (ii) a Human Resources professional;
- (iii) via Human Resources Solutions; and
- (iv) his/her manager (where appropriate).

The Audit Committee is required to submit Audit confirmation to HBAP Audit Committee twice a year. The Audit Committee is required to confirm that (i) the financial statements have been prepared in accordance with HSBC Group Accounting Policies; (ii) the internal control systems relating to financial reporting of the Company appear adequate and appropriate for the business; (iii) no significant breaches of law or regulations have been brought to the attention of the Committee other than through reports made via the Compliance or Legal functions; and (iv) there is no relevant audit information of which the Company's auditors are not aware.

Internal Audit (Principle 15, MAS Guidelines)

The Insurance Audit ('Audit') team in the HSBC Group is the main internal audit function for the Company. During the year 2019, the audit team conducted three audits to assess the design and operating effectiveness of controls over Policy Administration, the Global IFRS 17 Programme and the Administration of Central Provident Fund. The audit findings and Management's responses and actions were discussed and tracked for completion and remediation in the Risk Management Committee meetings.

Reporting line of Internal Audit

The Insurance Audit team reports to the HSBC Global Head of Audit for Wealth & Personal Banking, Commercial Banking and HOST, who is a member of the HSBC Global Internal Audit Executive Committee ("**GBL INA EXCO**"). The Chair of the GBL INA EXCO is the Group Head of Internal Audit who reports functionally into the Chair of the Group Audit Committee and administratively into the Group CEO. The Group Head of Internal Audit is also a member of the HSBC Group Management Board. Based on this structure, the internal audit function is independent of the Company's management and has appropriate standing within the Company.

Shareholder Rights and Communication (Principle 16, MAS Guidelines)

The Company is a wholly-owned subsidiary of HSBC Insurance (Asia-Pacific) Holdings Limited. There is constant communication at all levels of the Company with the sole shareholder, HSBC Insurance (Asia-Pacific) Holdings Limited.

The Company will pay dividends out of profits available for distribution after taking into account regulatory capital and other business needs.

HSBC Insurance (Asia-Pacific) Holdings Limited receives the Company's Notice of AGM, within the statutory timeline before the AGM. The AGM is convened pursuant to Section 179(6) of the Companies Act, Chapter 50.

Related Party Transactions (Principle 17, MAS Guidelines)

Policies on material related party transactions are established at HSBC Group level for all HSBC entities and the Company also complies with the local regulatory requirements. Material related party transactions are disclosed in the notes to the Company's financial statements for the financial year ended 31 December 2019 which can be found from the Company's corporate website.