

Policy in relation to Principles of Customer-Orientated Business Conduct

Conduct is a critical component of all of HSBC's business activities. It is embedded within the Group's strategy, business models and planning, our culture and behavior, interaction with customers, products and services, financial markets operations, and governance and oversight processes.

We have established a Global Conduct Framework with five outcomes describing the behaviors to which we aspire. It increases our understanding of how the decisions we make affect customers and other stakeholders, helping us to strengthen our business.

Our conduct framework governs everything we do and aligns to the JFSA's Principles of Customer Orientated Business Conduct for which our businesses in Japan fully support.

Each business must ensure that its policies are designed to deliver the outcomes set out in the Global Conduct Framework.

HSBC Securities (Japan) Co., Ltd.'s Policy in relation to Principles of Customer-Orientated Business Conduct

In line with the JFSA's Principles of Customer Orientated Business Conduct (Principle 1: Development and Publication of Policy Concerning Customer-Oriented Business Conduct), our firm has developed the following Policy in relation to Principles of Customer-Orientated Business Conduct.

2. Pursuit of Customers' Best Interests

Our firm will conduct its business in Japan in a manner which is consistent with our Global Conduct Framework and the FSA's 'Principles on Customer-Orientated Business Conduct'.

Our Global Conduct Framework mandates that we act in the best interests of our customers by conducting business in a fair and reasonable manner whilst maintaining a high level of

professional ethics.

3. Appropriate Management of Conflicts of Interest

HSBC has established global policies and Japan specific internal rules to manage conflicts of interests when dealing with customers. Through our policies and internal rules, we strive to detect actual and potential conflicts of interest and take appropriate action to resolve in each case.

Our Policy on Conflicts of Interest is available here ([Legal Information | HSBC Japan](#)).

4. Disclosure of Commissions, Fees, and Other Costs

HSBC determines the pricing, commissions and fees of financial products that we offer our customers in a fair and reasonable manner in accordance with our global policies and procedures. Pricing, commissions and fees are communicated to customers clearly and in a manner which is easy to understand in line with each customer's knowledge and investment experience. Where HSBC is structuring products to be sold to end investors through third party distributors, we work with our distributors to provide them with information on pricing, etc. in order that they can meet their own obligations to their customers.

5. Provide Important Information in a Clear Way

HSBC always communicates with customers in a fair and reasonable manner when providing explanations and information in relation to financial products and services. In line with global policies and Japan internal rules, all communication must be clear, fair, not misleading and at a suitable level for the customer considering each customer's knowledge and investment experience. We also take into consideration the customer's financial status and investment purpose as well as the complexity of the financial product or service being offered. Where applicable, HSBC will explain to customers any conflict of interest arising as well as provide an explanation of the effect such conflict has on the financial product or service sold or solicited to customers.

In principle, structured products are provided as one product and are not divisible. HSBC does not provide multiple products or services as a package. Further, we do not offer products or services to individual customers, and therefore we do not create nor provide the Important

Information Sheet. (Reflecting this point, we have stated “Not Applicable” with regard to Principle 5, Note (2) in our correspondence chart.)

6. Provide Suitable Financial Products/Services to Customers

In line with our Global Conduct Framework, HSBC only provides financial products and services that are suitable for the customer by understanding each customer’s knowledge and investment experience, investment purpose and financial status.

HSBC endeavors to achieve better understanding of our customers on a long term basis, through our daily business operations for better service provision and by providing information regarding products and services. We conduct appropriate follow up with customers regarding products transacted.

In principle, structured products are provided as one product and are not divisible. HSBC does not provide multiple products or services as a package. Further, we do not offer products or services to individual customers. Our firm, in structuring a financial product, takes into account the characteristics of the product being structured and specifies the target clients’ investor type to whom the product is expected to be sold. However, we do not publish target client investors by product type. (Reflecting these points, we have stated “Not Applicable” with regard to Principle 6, Note (2) and “Partially Conducted” with regard to Principle 6, Note (3) in our correspondence chart.)

Our Solicitation Policy is available here ([Legal Information | HSBC Japan](#)).

Where HSBC is structuring products to be sold to end investors through third party distributors, we identify a target market for each product. Further, we provide information on the product and target market to distributors. In line with our global policies, we conduct periodic due diligence on our distributors to confirm that distributors have in place an appropriate framework which enables them to provide products suited to the needs of end investors.

7. Appropriate Framework etc. to Incentivize Employees

Mandatory training regarding our Global Conduct Framework is provided to new joiners and on an annual basis for existing employees. Employee performance assessments encompass a

broad range of indicators including behavioral standards in line with our Global Conduct Framework. Variable pay remuneration outcomes for all employees are aligned with HSBC Group's values and are based on the performance assessment conducted.

2-7 above correspond to the JFSA's Principles of Customer Orientated Business Conduct (as of January 2021), principles 2-7.