HSBC HOLDINGS PLC
BOARD OF DIRECTORS - TERMS OF REFERENCE

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Composition

The Board of Directors ("Board") of HSBC Holdings plc (the "Company") should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

The Board should be of sufficient size that the requirements of the business can be met and that changes to the Board's composition can be managed without undue disruption. The Board should not be so large as to be unwieldy. The Board should comprise a balance of executive and non-executive directors such that no individual or small group of individuals can dominate the Board's decision-making.

More than half of the Board, excluding the Chairman, will be non-executive Directors who have been determined by the Board to be independent in character and judgement, meaning that Directors are free from relationships or circumstances which are likely to affect their judgement or any relationships or circumstances which could appear to do so have been considered not to be material.

Meetings and Quorum

The Board should meet sufficiently regularly to discharge its duties effectively. The Board shall meet with such frequency and at such times as it may determine. It is expected that the Board shall meet at least seven times a year.

When participating in Meetings of the Board, executive Directors are expected to discharge their responsibilities as Directors of the Company and not to act solely as the representative of the activity for which they bear executive responsibility.

The quorum for meetings of the Board is three Directors.

Objective

The role of the Board is to provide 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 its subsidiaries (the "Group") and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set. Implementation of the strategy set by the Board is delegated to the Group Management Board ("GMB") which is led by the Group Chief Executive.

Powers of the Board

The Board is responsible for managing the business of the Company and, in doing so, may exercise all the powers of the Company, subject to any relevant laws and regulations and to the Articles of Association ("Articles").

Matters reserved to the Board

The Board delegates the management and day-to-day running of the Group to the GMB in accordance with such polices and directions as the Board may from time to time determine with the exception of the following matters which require the approval of the Board:

(i) annual plans, risk appetite and performance targets for the Group;

(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 (a) credit, (b) market risk limits, (c) an acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;

(iv) appointments to the positions listed in the Appendix (including, for the avoidance of doubt, appointments that are analogous, appointments of successors by whatever title and appointments of alternate directors); and

(v) any substantial change in the policies established from time to time by the Board for balance sheet management including capital adequacy, credit, liquidity, maturity structure of assets and liabilities, interest rate and exchange rate risks and asset concentration both geographically, by sector and global business.

Responsibilities of the Board

The Board's responsibilities include, but are not limited to:

1. the oversight of corporate governance. It shall oversee or delegate responsibility for the oversight of corporate governance to one or more Committees of the Board, as it sees fit, for:

   (i) development and review of Group policies and practices on corporate governance;

   (ii) review and monitoring of training and continuous professional development of Directors and senior management;

   (iii) review and monitoring of Group policies and practices on compliance with legal and regulatory requirements;

(iv) development, review and monitoring of the application of HSBC Values and Business Principles and the compliance manual (if any) applicable to employees and Directors; and

(v) review of the Group's compliance with the UK Corporate Governance Code, The Hong Kong Code on Corporate Governance Practices, and any other corporate governance code the Board considers appropriate from time to time and the disclosures on corporate governance made in the Annual Report and Accounts.

2. the oversight of large-scale change and transformation programmes.

Powers of the Board to delegate

(i) The Board may delegate and confer on any Directors holding executive office any of its powers, authorities and discretions (including the power to sub-delegate) for such time and on such terms as it thinks fit.

(ii) The Board may delegate any of its powers, authorities and discretions (including the power to sub-delegate) for such time and on such terms as it thinks fit to any committee consisting of one or more Directors and (if thought fit) one or more other persons, provided that where the committee consists of more than one member, not less than two members of such committee shall be Directors or alternate Directors, and no resolution of a committee shall be effective unless one of those present when it is passed is a Director (or his alternate).

(iii) The Board may establish any local or divisional boards or agencies for managing the business of the Group in any specified locality and delegate and confer on any local or divisional board, manager or agent so appointed any of its powers, authorities and discretions (including the power to sub-delegate) for such time and on such terms as it thinks fit.

(iv) The Board may also, by power of attorney or otherwise, appoint any person or persons to be the agent of the Company and may delegate to any such person or persons any of its powers, authorities and discretions (including the power to sub-delegate) for such time and on such terms as it thinks fit.

Independent Advice

Directors may appoint, employ or retain such professional advisors as they may consider appropriate. Any such appointment shall be made through the Company Secretary, who shall be responsible for the contractual arrangements and payment of fees by HSBC on behalf of the Board.

Review of terms of reference

The Board shall review annually the Board's terms of reference and its own effectiveness.

Inconsistency with Articles of Association

To the extent that there is any inconsistency between these Terms of Reference and the Articles, the Articles will prevail.

APPENDIX

APPOINTMENTS REQUIRING BOARD APPROVAL

The appointments to the positions listed below (including, for the avoidance of doubt, appointments that are analogous, appointments of successors by whatever title and appointments of alternate directors) require the approval of the Board:

HSBC Holdings plc
Chairman/Deputy Chairman, Chief Executive, Group Finance Director, Directors, Group Chief Operating Officer, Group Managing Directors and Group General Managers (including for the sake of clarification the following, Company Secretary, Group Chief Risk Officer, Head of Internal Audit, Chief Accounting Officer), Head of Group Asset and Liability Management, Head of Group Compliance

HSBC Bank plc
Chairman/Deputy Chairman, Directors, Chief Executive, Chief Financial Officer, Company Secretary, Chief Risk Officer

The Hongkong and Shanghai Banking Corporation Limited
Chairman/Deputy Chairman, Directors, Chief Executive, Alternate Chief Executives, Chief Financial Officer, Treasurer, Company Secretary, Chief Risk Officer

Hang Seng Bank Limited
Chairman/Deputy Chairman, Directors, Chief Executive, Alternate Chief Executives, Chief Financial Officer, Company Secretary, Chief Risk Officer

HSBC North America Holdings Inc
Chairman/Deputy Chairman, Directors, President, Chief Executive, Chief Financial Officer, Company Secretary, Chief Risk Officer

HSBC Latin America Holdings (UK) Ltd
Chairman/Deputy Chairman, Directors, President (CEO), Chief Financial Officer, Company Secretary, Chief Risk Officer

HSBC Bank Bermuda Limited
Chairman/Deputy Chairman, Directors, Chief Executive, Chief Financial Officer, Company Secretary, Chief Risk Officer

HSBC Trinkaus & Burkhardt AG
Chairman/Deputy Chairman, Directors, Chief Executive, Members of the Management Board, Chief Financial Officer, Company Secretary, Chief Risk Officer

HSBC Private Banking Holdings (Suisse) SA
Chairman/Deputy Chairman, Directors, Chief Executive, Chief Financial Officer, Company Secretary, Chief Risk Officer

HSBC Bank Middle East Limited

Chairman/Deputy Chairman, Directors, Chief Executive, Chief Financial Officer, Company Secretary, Chief Risk Officer

The Saudi British Bank

Chairman/Deputy Chairman, Directors nominated by HSBC, Chief Executive, Managing Director, Deputy Managing Director, Chief Financial Officer, Company Secretary, Chief Risk Officer