Corporate governance report

The corporate governance report gives details of our Board of Directors, senior management, and Board committees. It outlines key aspects of our approach to corporate governance, including internal control.

It also includes the Directors' remuneration report, which explains our policies on remuneration.

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We have a comprehensive range of policies and systems in place designed to help ensure that the Group is well managed, with effective oversight and control.

Group Chairman's governance statement

The Board and its committees continued to operate well in a challenging environment, and focused on enhancing governance practices.

Mark E Tucker
Group Chairman

"Following the launch of the Group's refreshed purpose, strategy and values in March, we introduced a 'culture moment' at the beginning of each Board meeting."

Dear Shareholder

The global health crisis continued into 2021 as a result of the Covid-19 pandemic. Despite promising developments in relation to the efficacy of vaccines in combating the virus, there remained significant restrictions across our markets. It was therefore important that our governance framework and practices remained flexible to ensure that the Board could effectively discharge its duties.

While the Board and its committees have operated well in a virtual environment, it was unfortunate that we were again unable to come together physically as a Board. It has been two years since the full Board was last together in person for a Board meeting, with five new Directors appointed in that time. I hope to hold in-person meetings as soon as it is safe to do so, particularly in our largest markets of Hong Kong and the UK.

We continued our focus on enhancing our governance practices throughout the year, with key decisions and areas of focus set out in further detail below.

Board changes

A key aspect of my role as Group Chairman is ensuring that collectively the Board has the skills, knowledge and experience it requires. The Nomination & Corporate Governance Committee retained a keen focus on succession planning during the year. For further details on its work, see page 237. We are currently in the process of completing a search for new non-executive Directors to join our Board, with knowledge and experience of banking and Asia a priority. The Committee is actively progressing this search and will provide an update in due course.

There were a number of changes to the Board during 2021, with Laura Cha, Heidi Miller and Henri de Castries retiring following our 2021 Annual General Meeting ('AGM') in May, and Rachel Duan and Dame Carolyn Fairbairn appointed with effect from 1 September.

We also recently announced that, in line with our succession planning and having each served on the Board for six years, Irene Lee and Pauline van der Meer Mohr would step down from the Board at the conclusion of our 2022 AGM in April. Irene's existing roles on our subsidiary boards in Asia are not impacted by her retirement from the Holdings Board. On behalf of the Board, I wish to thank Irene and Pauline for their outstanding dedication and the enormous contributions they have made to the success of HSBC during their time on the Board. We wish them both well in their future endeavours.

Purpose, strategy and values

Following the launch of the Group's refreshed purpose, strategy and values in March, we introduced a 'culture moment' at the beginning of each Board meeting. These discussions have allowed Board members to share their insights on the culture of the Group, and have raised awareness of employee and stakeholder perspectives in the Boardroom. This has supported the Board in helping to create greater alignment between culture and strategy, and in driving a tone from the top focused on the Group's purpose of opening up a world of opportunity.

Technology governance

Digitise at scale is one of our four strategic pillars and reflects the increasingly important role that technology plays in delivering for our customers. It is therefore critical that our governance helps enable the Board to effectively shape and oversee progress against our technology strategy. As such, we took the decision to establish the Technology Governance Working Group at the beginning of 2021 to determine the most effective approach for the Board to discharge its responsibilities in relation to technology strategy and oversight.

The Co-Chairs of the Technology Governance Working Group presented to the Board in January 2022 on their work during 2021. In light of the significant role that technology will continue to play in the Group's strategy, it was recommended that the Technology Governance Working Group continues to meet throughout 2022. The Board agreed to continue with the Technology Governance Working Group in its current format through

2022, but with the scope extended to include a focus on business execution of the technology strategy. This will allow for a better understanding of the progress, challenges involved in implementing the strategy and the impact on key stakeholders.

Environmental, social and governance

The Board recognises the growing importance of ESG and oversees the ESG agenda. It was a significant year for the Group in its efforts to support the transition to net zero – a key pillar of our overall Group strategy – with the passing of our climate resolution at our 2021 AGM and the publication of our thermal coal phase-out policy, being two of the most notable achievements. Given its significance, the Board has decided to retain responsibility for development and oversight of our ESG strategy directly, rather than establishing a specific Board-level committee and we will include a dedicated item on our agenda for ESG matters. Within their existing responsibilities, the Group Risk Committee, Group Audit Committee and Group Remuneration Committee will also continue to have specific roles to play in overseeing and supporting the delivery of our ESG objectives.

At the management level, we have asked our team to further enhance ESG governance, with the introduction of an ESG Committee, co-chaired by our Group Chief Sustainability Officer, Celine Herweijer, and our Group Company Secretary and Chief Governance Officer, Aileen Taylor. This committee will regularly report to the Board on progress against our ESG ambitions, climate strategy and related commitments. In February 2022, the Board also approved the proposal to develop and implement a sustainability target operating model for the Group. The new operating model will help ensure that our businesses have the technical expertise, specialist resources and training to equip and support them in assisting our clients in their transition to net zero.

For further information on our climate ambition and progress against our transition to net zero strategic pillar, see page 45.

Board evaluation

We again conducted a review of the effectiveness of the Board and Board committees, which helps to support the continuous improvement of the operation of our key governance practices. Following two successive externally facilitated evaluations, we took the decision that the 2021 evaluations should be facilitated internally. The process was led by our Group Company Secretary and Chief Governance Officer and involved the completion of online surveys tailored for each Board and committee, complemented by individual interviews with Directors and attendees.

Further details on the progress made against the 2020 findings, as well as the findings and recommendations from the 2021 review, can be found on page 235 and in each of the respective committee reports on pages 237 to 267.

Subsidiary governance

Subsidiary governance remained a key priority, as it has been since my appointment as Group Chairman, and we continued to build strong connectivity with our principal subsidiaries. In 2021, we sought to enhance the standard and consistency of governance across the Group, with the launch of our refreshed subsidiary accountability framework. The refreshed framework makes clear the Group's expectations of subsidiaries in relation to their governance approach and board practices through overarching principles and detailed provisions.

A key aspect of the framework is focused on the composition of our subsidiary boards, with our most significant subsidiaries required to submit their succession plans to the Nomination & Corporate Governance Committee through the course of the year. This provided clarity on plans to refresh and enhance the calibre and diversity of boards across the Group. Further details are set out in the Nomination & Corporate Governance Committee report on page 237.

Given the continued uncertainty externally, we looked to strengthen the connectivity between the Group and principal subsidiaries during the year through virtual forums held between the Board and committee chairs and our counterparts at subsidiary level. We further supplemented this connectivity with the introduction of a virtual Non-Executive Director Summit, which saw all subsidiary non-executive directors invited to come together to discuss areas of common interest. This was a valuable opportunity to share and discuss material topics, including strategy, risk, data, culture, diversity, climate and technology. Following the success of the summit, we have taken the decision to make these sessions a part of our annual governance calendar.

Workforce engagement

Various opportunities for members of the Board to engage with employees have been provided during 2021, including through partnerships with our employee resource groups and sessions with members of our global graduate programme. The Board greatly values the opportunity to engage with employees from across the business and markets, and of different backgrounds and seniority. We will continue to prioritise this, along with interaction with all our key stakeholders, during 2022.

For further details on the arrangements we have in place to facilitate workforce engagement, see page 233.

2021 Annual General Meeting

The pandemic has continued to pose many challenges for the Group, as it does for many of our stakeholders. However, the Group has benefited significantly from the speed at which digital tools have been adopted since the beginning of the pandemic.

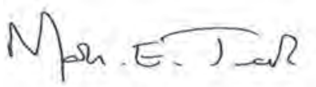
This has also been true of our AGM, where I was delighted to host our first hybrid AGM, which enabled shareholders globally to attend virtually, or in person. The use of technology enabled a broader range of shareholders to attend and participate than had been the case pre-pandemic.

Further details of our plans for the 2022 AGM, which will be a hybrid meeting again, will be provided when our Notice of AGM is published on 25 March 2022.

Looking ahead

Despite the concerns of the Covid-19 pandemic, I am hopeful that the success of vaccine roll-out will allow us to safely resume in-person engagement with each other and all stakeholders in the near future.

On behalf of myself and the Board, many thanks for your continued commitment and support.



Mark E Tucker
Group Chairman

22 February 2022

The Board

The Board aims to promote the Group's long-term success, deliver sustainable value to shareholders and promote a culture of openness and debate.

Chairman and executive Directors

Mark E Tucker (64) ●C
Group Chairman
Appointed to the Board: September 2017
Group Chairman since: October 2017

Skills and experience: With over 35 years of experience in financial services in Asia, Africa, the US and the UK, including 25 years based in Hong Kong, Mark has a deep understanding of the industry and markets in which we operate.

Career: Mark was most recently Group Chief Executive and President of AIA Group Limited ('AIA'), having joined in July 2010. Prior to AIA he was Group Chief Executive of Prudential plc. He served on Prudential's Board for nearly 10 years.

Mark previously served as non-executive Director of the Court of the Bank of England and as an independent non-executive Director of Goldman Sachs Group.

Other appointments:
- Chair of TheCityUK
- Non-executive Chairman of Discovery Limited
- Supporting Chair of Chapter Zero
- Member of the UK Investment Council
- Co-Chair of the B20 Finance and Infrastructure Task Force (Indonesia 2022)
- Director, Peterson Institute for International Economics
- Director, Institute of International Finance
- International Adviser to the Hong Kong Academy of Finance
- Asia Society Board of Trustees

Noel Quinn (60)
Group Chief Executive
Appointed to the Board: August 2019
Group Chief Executive since: March 2020

Skills and experience: Having qualified as an accountant in 1987, Noel has more than 30 years of banking and financial services experience, both in the UK and Asia.

Career: Noel was formally named Group Chief Executive in March 2020, having held the role on an interim basis since August 2019. He has held various roles across HSBC, or its constituent companies, since 1987.

Prior to becoming Group Chief Executive, Noel was most recently CEO, Global Commercial Banking. He has also served as Regional Head of Commercial Banking for Asia-Pacific; Head of Commercial Banking UK; Head of Commercial Finance Europe; and Group Director of Strategy and Development at HSBC Insurance Services North America.

Other appointments:
- Chair of the Financial Services Task Force of HRH The Prince of Wales' Sustainable Market Initiative
- Member of the Principals Group of the Glasgow Financial Alliance for Net Zero
- Member of the World Economic Forum's International Business Council

Ewen Stevenson (55)
Group Chief Financial Officer
Appointed to the Board: January 2019

Skills and experience: Ewen has over 25 years of experience in the banking industry as an adviser and executive to major banks and large financial institutions. In addition to his existing leadership responsibilities for Group Finance, Ewen assumed responsibility for the oversight of the Group's transformation programme in February 2021 and the Group's corporate development activities in April 2021.

Career: Ewen was Chief Financial Officer at the Royal Bank of Scotland Group plc from 2014 to 2018. Before this, Ewen spent 25 years with Credit Suisse, where his last role was co-Head of the EMEA Investment Banking Division and co-Head of the Global Financial Institutions Group.

Other appointments:
- Director of The Hongkong and Shanghai Banking Corporation Limited

Board committee membership key
C Committee Chair
● Group Audit Committee
○ Group Risk Committee
○ Group Remuneration Committee
● Nomination & Corporate Governance Committee

For full biographical details of our Board members, see www.hsbc.com/who-we-are/leadership-and-governance.

Independent non-executive Directors

Rachel Duan (51) ○ ●
Independent non-executive Director
Appointed to the Board: September 2021

Skills and experience: Rachel is a business leader with exceptional international experience in the US, Japan, mainland China and Hong Kong.

Career: Rachel spent 24 years at General Electric ('GE'), most recently as Senior Vice President of GE, and President and Chief Executive Officer of GE's Global Markets, where she was responsible for driving GE's growth in Asia-Pacific, the Middle East, Africa, Latin America, and Russia and the Commonwealth of Independent States. She has also previously served as President and Chief Executive Officer of GE Advanced Materials China and then of the Asia-Pacific, President and CEO of GE Healthcare China, and President and CEO of GE China.

Other appointments:
– Independent Director of Sanofi S.A.
– Independent Director of AXA S.A.
– Independent Director of the Adecco Group

Dame Carolyn Fairbairn (61) ○ ○ ●
Independent non-executive Director
Appointed to the Board: September 2021

Skills and experience: Carolyn has significant experience across the media, government and finance sectors.

Career: An economist by training, Carolyn has served as a Partner at McKinsey & Company, Director-General of the Confederation of British Industry, and Group Development and Strategy Director at ITV plc. She has extensive board experience, having previously served as non-executive Director of Lloyds Banking Group plc, the Vitec Group plc and Capita plc. She has also served as a non-executive Director of the UK Competition and Markets Authority and the Financial Services Authority.

Other appointments:
– Non-executive Director of BAE Systems plc

James Forese (58) ● ○ ●
Independent non-executive Director
Appointed to the Board: May 2020

Skills and experience: James has over 30 years of international business and management experience in the finance industry.

Career: James formerly served as President of Citigroup. He began his career in securities trading with Salomon Brothers, one of Citigroup's predecessor companies, in 1985. In addition to his most recent role as President, he was Chief Executive Officer of Citigroup's Institutional Clients Group. He has also been Chief Executive of its Securities and Banking division and head of its Global Markets business.

Other appointments:
– Chair of HSBC North America Holdings Inc
– Non-executive Chairman of Global Bamboo Technologies
– Trustee of Colby College

Steven Guggenheimer (56) ○ ●
Independent non-executive Director
Appointed to the Board: May 2020

Skills and experience: Steven brings extensive insight into technologies ranging from artificial intelligence to Cloud computing, through his experience advising businesses on digital transformation.

Career: Steven has more than 25 years of experience at Microsoft, where he held a variety of senior leadership roles. These included: Corporate Vice President, Artificial Intelligence and Independent Software Vendor Engagement; Corporate Vice President, Chief Evangelist; and Corporate Vice President, Original Equipment Manufacturer.

Other appointments:
– Non-executive Director of Forrit Technologies Limited
– Independent Director of Software Acquisition Group
– Adviser to Tensility Venture Partners LLC
– Advisory Board Member of 5G Open Innovation Lab

Independent non-executive Directors

Irene Lee (68)
Independent non-executive Director
Appointed to the Board: July 2015

Skills and experience: Irene has more than 40 years of experience in the finance industry, having worked in the UK, the US and Australia.

Career: Irene held senior investment banking and fund management roles at Citibank, the Commonwealth Bank of Australia and SealCorp Holdings Limited. She has served as a member of the Advisory Council for J.P. Morgan Australia, a member of the Australian Government Takeovers Panel and as a non-executive Director of QBE Insurance Group Limited, Keybridge Capital Limited, ING Bank (Australia) Limited, Noble Group Limited, CLP Holdings Limited and Cathay Pacific Airways Limited.

Other appointments:
- Chair of Hang Seng Bank Limited
- Non-executive Director of the Hongkong and Shanghai Banking Corporation Limited
- Executive Chair of Hysan Development Company Limited
- Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority

Dr José Antonio Meade Kuribreña (52)
Independent non-executive Director
Appointed to the Board: March 2019

Skills and experience: José has extensive experience in public administration, banking, financial policy and foreign affairs.

Career: José has held Cabinet-level positions in the federal government of Mexico, including as Secretary of Finance and Public Credit, Secretary of Social Development, Secretary of Foreign Affairs and Secretary of Energy. Prior to his appointment to the Cabinet, he served as Undersecretary and as Chief of Staff in the Ministry of Finance and Public Credit. José is also a former Director General of Banking and Savings at the Ministry of Finance and Public Credit, and served as Chief Executive Officer of the National Bank for Rural Credit.

Other appointments:
- Non-executive Director of Alfa S.A.B. de C.V.
- Non-executive Director of Grupo Comercial Chedraui, S.A.B. de C.V.
- Board member of The Global Center on Adaptation
- Member of the Independent Task Force on Creative Climate Action
- Member of the UNICEF Mexico Advisory Board

Eileen Murray (63)
Independent non-executive Director
Appointed to the Board: July 2020

Skills and experience: Eileen has extensive knowledge in financial technology and corporate strategy from a career spanning more than 40 years.

Career: Eileen most recently served as co-Chief Executive Officer of Bridgewater Associates, LP. Before this, she was Chief Executive Officer for Investment Risk Management LLC, and President and co-Chief Executive Officer of Duff Capital Advisors. Eileen started her professional career at Morgan Stanley, having held positions including Controller, Treasurer, and Global Head of Technology and Operations, as well as Chief Operating Officer for its Institutional Securities Group. At Credit Suisse, she was Head of Global Technology, Operations and Product Control.

Other appointments:
- Chair of the Financial Industry Regulatory Authority
- Non-executive Director of Guardian Life Insurance Company of America
- Adviser of Invisible Urban Charging
- Adviser of ConsenSys, Aquarion Company

David Nish (61)
Independent non-executive Director
Appointed to the Board: May 2016
Senior Independent non-executive Director since: February 2020

Skills and experience: David has international experience in financial services, corporate governance, financial accounting, and strategic and operational transformation.

Career: David served as Group Chief Executive Officer of Standard Life plc between 2010 and 2015, having joined the company in 2006 as Group Finance Director. He is also a former Group Finance Director of Scottish Power plc and was a partner at Price Waterhouse. David has also previously served as a non-executive Director of HDFC Life (India), Northern Foods plc, London Stock Exchange Group plc, the UK Green Investment Bank plc and Zurich Insurance Group.

Other appointments:
- Non-executive Director of Vodafone Group plc
- Honorary Professor of Dundee University Business School

Jackson Tai (71) ● © ●
Independent non-executive Director
Appointed to the Board: September 2016

Skills and experience: Jackson has held senior operating and governance roles across Asia, North America and Europe.

Career: Jackson was Vice Chairman and Chief Executive Officer of DBS Group and DBS Bank Ltd., having served as Chief Financial Officer and then as President and Chief Operating Officer. He worked for 25 years with J.P. Morgan & Co. Incorporated, holding roles as Chairman of Asia-Pacific Management Committee and Head of Japan Capital Markets. Other former appointments included non-executive Director of Canada Pension Plan Investment Board, Royal Philips N.V., Bank of China Limited, Singapore Airlines, NYSE Euronext, ING Groep N.V., CapitaLand Ltd, SingTel Ltd. and Jones Lang LaSalle Inc. He also served as Vice Chairman of Islamic Bank of Asia.

Other appointments:
- Non-executive Director of Eli Lilly and Company
- Non-executive Director of MasterCard Incorporated

Pauline van der Meer Mohr (62)
● © ●
Independent non-executive Director
Appointed to the Board: September 2015

Skills and experience: Pauline has extensive legal, corporate governance and human resources experience across a number of different sectors.

Career: Pauline served on the Supervisory Board of ASML Holding N.V. between 2009 and 2018. She was also Deputy Chair of the Supervisory Board of Royal DSM N.V. from 2018 to 2021, while also chairing its Sustainability Committee. Pauline was formerly President of Erasmus University Rotterdam, a member of the Dutch Banking Code Monitoring Commission, and a Senior Vice President and Head of Group Human Resources Director at ABN AMRO Bank N.V. and TNT N.V. She also held various executive roles at the Royal Dutch Shell Group. Pauline also chaired the Group's former Conduct and Values Committee.

Other appointments:
- Chair of the Dutch Corporate Governance Code Monitoring Committee
- Chair of the Supervisory Board of EY Netherlands LLP
- Member of the Selection and Nomination Committee of the Supreme Court of the Netherlands
- Member of the Capital Markets Committee of the Dutch Authority for Financial Markets
- Non-executive Director of Viatris, Inc.
- Chair of the ASM International NV Supervisory Board

Aileen Taylor (49)
Group Company Secretary and Chief Governance Officer
Appointed: November 2019

Skills and experience: Aileen is a solicitor with significant governance and regulatory experience across various roles in the banking industry. She is a member of the European Corporate Governance Council, the GC100 and the Financial Conduct Authority's Listing Authority Advisory Panel.

Career: Prior to joining HSBC, Aileen spent 19 years at the Royal Bank of Scotland Group, holding various legal, risk and compliance roles. She was appointed Group Secretary in 2010 and subsequently Chief Governance Officer and Board Counsel.

Former Directors who served for part of the year

Heidi Miller
Heidi Miller retired from the Board on 28 May 2021.

Henri de Castries
Henri de Castries retired from the Board on 28 May 2021.

Laura Cha, GBM
Laura Cha, GBM retired from the Board on 28 May 2021.

For full biographical details of our Board members, see www.hsbc.com/who-we-are/leadership-and-governance.

Senior management

Senior management, which includes the Group Executive Committee, supports the Group Chief Executive in the day-to-day management of the business and the implementation of strategy.

Elaine Arden (53)
Group Chief Human Resources Officer

Elaine joined HSBC as Group Chief Human Resources Officer in June 2017. Prior to joining HSBC, she was Group Human Resources Director at Royal Bank of Scotland Group for six years. She has held a number of human resources and employee relations roles in financial services, including Clydesdale Bank and Direct Line Group. Elaine is a member of the Chartered Institute of Personnel and Development, and a fellow of the Chartered Institute of Banking in Scotland.

Chira Barua (48)
Global Head of Strategy

Chira joined HSBC in May 2020 as Global Head of Strategy and was appointed to the Group Executive Committee in April 2021. Before joining HSBC, he was a partner at McKinsey & Company in its financial services practice and a managing director at Sanford C. Bernstein between 2011 and 2017. Earlier in his career, Chira held a number of strategy, management and operational roles at Standard Chartered and Citigroup in India.

Colin Bell (54)
Chief Executive Officer, HSBC Bank plc and HSBC Europe

Colin joined HSBC in July 2016 and was appointed Chief Executive Officer, HSBC Bank plc and HSBC Europe in February 2021. He previously held the role of Group Chief Compliance Officer. Before HSBC, Colin worked at UBS as Global Head of Compliance and Operational Risk Control. He served for 16 years in the British Army, having held a variety of command and staff positions, including within operational tours of Iraq and Northern Ireland, the Ministry of Defence and NATO.

Jonathan Calvert-Davies (53)
Group Head of Internal Audit

Jonathan is a standing attendee of the Group Executive Committee, having joined HSBC as Group Head of Internal Audit in October 2019. He has 30 years of experience providing assurance, audit and advisory services to the banking and securities industries in the UK, the US and Europe. Jonathan's previous roles included leading KPMG UK's financial services internal audit services practice and PwC's UK internal audit services practice. He has also served as interim Group Head of Internal Audit at the Royal Bank of Scotland Group.

Georges Elhedery (47)
Co-Chief Executive Officer, Global Banking and Markets

Georges joined HSBC in 2005 and was appointed co-Chief Executive Officer of Global Banking and Markets in March 2020. He is also head of the Markets and Securities Services division of the business, with responsibility for its strategic direction in more than 55 countries and territories. Georges previously served as Head of Global Markets; Chief Executive Officer for HSBC, Middle East, North Africa and Turkey; Head of Global Banking and Markets, MENA; and Regional Head of Global Markets, MENA. Georges will be on sabbatical leave between March and September 2022.

Greg Guyett (58)
Co-Chief Executive Officer, Global Banking and Markets

Greg joined HSBC in October 2018 as Head of Global Banking and became co-Chief Executive Officer of Global Banking and Markets in March 2020. Greg will assume sole responsibility of the business while Georges Elhedery is on sabbatical leave between March and September 2022. Before joining HSBC, he was President and Chief Operating Officer of East West Bank. Greg began his career as an investment banker at J.P. Morgan, where positions included: Chief Executive Officer for Greater China; Chief Executive Officer, Global Corporate Bank; Head of Investment Banking for Asia-Pacific; and Co-Head of Banking Asia-Pacific.

Dr Celine Herweijer (44)
Group Chief Sustainability Officer

Celine joined HSBC as Group Chief Sustainability Officer in July 2021, and is responsible for the Group's sustainability agenda including its ambition to transition to net zero. She previously worked as a partner at PwC for over a decade, where she held global leadership roles including acting as its global innovation and sustainability leader. Before joining PwC, Celine worked as Director of Climate Change and Consulting for Risk Management Solutions. She is a World Economic Forum Young Global Leader, a co-chair of the We Mean Business Coalition, a PhD climate scientist and a NASA fellow by training.

John Hinshaw (51)
Group Chief Operating Officer

John became Group Chief Operating Officer in February 2020, having joined HSBC in December 2019. He has an extensive background in transforming organisations across a range of industries. Most recently, John served as Executive Vice President of Hewlett Packard and Hewlett Packard Enterprise, where he managed technology and operations and was Chief Customer Officer. He also held senior roles at Boeing and Verizon and served on the Board of Directors of BNY Mellon, DocuSign and the US National Academy Foundation.

Bob Hoyt (57)
Group Chief Legal Officer

Bob joined HSBC as Group Chief Legal Officer in January 2021. He was most recently Group General Counsel at Barclays from 2013 to 2020. Prior to that he was General Counsel and Chief Regulatory Affairs Officer for The PNC Financial Services Group. Bob has served as General Counsel and senior policy adviser to the US Department of the Treasury under Secretary Paulson, and as Special Assistant and Associate Counsel to the White House under President George W. Bush.

Steve John (48)
Group Chief Communications Officer

Steve was appointed as Group Chief Communications Officer in December 2019 and appointed to the Group Executive Committee in April 2021. He has a wealth of senior communications, public policy and leadership experience acquired across a number of multinational and charitable organisations. Prior to joining HSBC, Steve was a partner and Global Director of Communications at McKinsey & Company from 2014 to 2019. He has also held roles with Bupa as Global Director of Communications and PepsiCo as Director of Corporate Affairs for their UK and Ireland franchises.

Pam Kaur (58)
Group Chief Risk and Compliance Officer

Pam was appointed Group Chief Risk and Compliance Officer in July 2021, having held the role of Group Risk Officer since January 2020. She joined HSBC in 2013 and was previously Group Head of Internal Audit, Head of Wholesale Market and Credit Risk, and Chair of the enterprise-wide non-financial risk forum. Pam has also held a variety of audit and compliance roles in the banking industry, including with Deutsche Bank, Royal Bank of Scotland Group, Lloyds TSB and Citigroup. She serves as a non-executive Director of Centrica plc.

David Liao (49)
Co-Chief Executive Officer, Asia-Pacific – The Hongkong and Shanghai Banking Corporation Limited

David was appointed co-Chief Executive Officer of the Asia-Pacific region in June 2021. He is a Director of the Hongkong and Shanghai Banking Corporation Limited, Bank of Communications Co., Limited, Hang Seng Bank Limited and HSBC Global Asset Management Limited. David joined HSBC in 1997, with previous roles including: Head of Global Banking Coverage for Asia-Pacific; President and Chief Executive at HSBC China; Head of Global Banking and Markets at HSBC China; and Treasurer and Head of Global Markets at HSBC China.

Nuno Matos (54)
Chief Executive Officer, Wealth and Personal Banking

Nuno joined HSBC in 2015 and was appointed Chief Executive Officer of Wealth and Personal Banking in February 2021. He is a Director of HSBC Global Asset Management Limited. He was previously the Chief Executive Officer of HSBC Bank plc and HSBC Europe, a role he held from March 2020. Nuno has also served as Chief Executive Officer of HSBC Mexico, and as regional head of Retail Banking and Wealth Management in Latin America. Before joining HSBC, he held senior positions at Santander Group.

Stephen Moss (55)
Regional Chief Executive Officer – Middle East, North Africa and Turkey

Stephen was appointed Regional Chief Executive Officer for the Middle East, North Africa and Turkey in April 2021. He has held a series of roles since joining HSBC in 1992, including as Chief of Staff to the Group Chief Executive and overseeing the Group's mergers and acquisitions, and strategy and planning activities. Stephen is a Director of The Saudi British Bank, HSBC Bank Middle East Limited, HSBC Middle East Holdings B.V, HSBC Bank Egypt S.A.E and HSBC Saudi Arabia.

Barry O'Byrne (46)
Chief Executive Officer, Global Commercial Banking

Barry joined HSBC in April 2017 and was appointed Chief Executive Officer of Global Commercial Banking in February 2020, having served in the role on an interim basis since August 2019. He was previously Chief Operating Officer for Global Commercial Banking. Before joining HSBC, Barry worked at GE Capital for 19 years in a number of senior leadership roles, including as Chief Executive Officer and Chief Operating Officer for GE Capital International.

Michael Roberts (61)
Chief Executive Officer, HSBC USA and Americas

Michael was appointed Chief Executive Officer for HSBC USA and the Americas with oversight responsibility for Canada and Latin America in April 2021. He joined HSBC in October 2019 and is a Director of HSBC Bank Canada; executive Director, President and Chief Executive Officer of HSBC North America Holdings Inc.; and Chairman of HSBC Bank USA, N.A. and HSBC USA Inc. Previously, Michael spent 33 years at Citigroup in a number of senior leadership roles, most recently as Global Head of Corporate Banking and Capital Management and Chief Lending Officer.

Surendra Rosha (53)
Co-Chief Executive Officer, Asia-Pacific – The Hongkong and Shanghai Banking Corporation Limited

Surendra was appointed co-Chief Executive Officer of the Asia-Pacific region in June 2021. He is a Director of The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank Australia Limited. Surendra joined HSBC in 1991 and has held several senior positions within Global Banking and Markets, including as Head of Global Markets in Indonesia and Head of Institutional Sales, Asia-Pacific. He was Chief Executive for HSBC India and Head of HSBC's financial institutions group for Asia-Pacific.

John David Stuart (known as Ian Stuart) (58)
Chief Executive Officer, HSBC UK Bank plc

Ian has been Chief Executive Officer of HSBC UK Bank plc since April 2017 and has worked in financial services for over four decades. He joined HSBC as Head of Commercial Banking Europe in 2014, having previously led the corporate and business banking businesses at Barclays and NatWest. He started his career at Bank of Scotland. Ian is a business ambassador for Meningitis Now and a member of the Economic Crime Strategic Board.

Additional members of the Group Executive Committee

Noel Quinn

Ewen Stevenson

Aileen Taylor

Biographies are provided on pages 220 and 223.

How we are governed

We are committed to high standards of corporate governance. The Group has a comprehensive range of policies and procedures in place designed to help ensure that it is well managed, with effective oversight and controls. We comply with the UK Corporate Governance Code and the applicable requirements of the Hong Kong Corporate Governance Code.

Board's role, Directors' responsibilities and meeting attendance

The Board, led by the Group Chairman, is responsible among other matters for:

- promoting the Group's long-term success and delivering sustainable value to shareholders;
- establishing and approving the Group's strategy and objectives, and monitoring the alignment of the Group's purpose, strategy and values with the desired culture;
- setting the Group's risk appetite and monitoring the Group's risk profile;
- approving and monitoring capital and operating plans for achieving strategic objectives;
- approving material transactions;
- approving the appointment of Directors, including Board roles; and
- reviewing the Group's overall corporate governance arrangements.

The Board's terms of reference are available on our website at www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities. The Board's powers are subject to relevant laws, regulations and HSBC's articles of association.

The role of the independent non-executive Directors is to support the development of proposals on strategy, hold management to account and ensure the executive Directors are discharging their responsibilities properly, while creating the right culture to encourage constructive challenge. Further details on the independence of the Board and the value independence brings can be found in the Nomination & Corporate Governance Committee report. Non-executive Directors also review the performance of management in meeting agreed goals and objectives. The Group Chairman meets with the non-executive Directors without the executive Directors in attendance after Board meetings and otherwise, as necessary.

The roles of Group Chairman and Group Chief Executive are separate. There is a clear division of responsibilities between the leadership of the Board by the Group Chairman, and the executive responsibility for day-to-day management of HSBC's business, which is undertaken by the Group Chief Executive.

The majority of Board members are independent non-executive Directors. At 31 December 2021, the Board comprised the Group Chairman, 10 non-executive Directors, and two executive Directors who are the Group Chief Executive and the Group Chief Financial Officer. Two non-executive Directors will not stand for re-election at the AGM in April 2022.

For further details of the Board's career background, skills, experience and external appointments, see pages 220 to 223.

Operation of the Board

The Board is ordinarily scheduled to meet at least seven times a year. In 2021, the Board held 12 meetings. For further details on attendance at those meetings, see page 228. The Board agenda is agreed by the Group Chairman, working with both the Group Chief Executive and the Group Company Secretary and Chief Governance Officer. For more information, see 'Board activities during 2021' on page 232.

The Group Company Secretary and Chief Governance Officer, the Group Chief Risk and Compliance Officer, the Group Chief Legal Officer and the non-executive Chairman of The Hongkong and Shanghai Banking Corporation Limited are all regular attendees at Board meetings. Other senior executives attend Board meetings as required.

In addition to formal Board meetings, the Board Oversight Sub-Group, established by the Group Chairman in 2020, meets in advance of each Board meeting. Such meetings are an informal mechanism for a smaller group of Board members and management to discuss emerging issues and upcoming Board matters. Standing attendees comprise the Group Chairman, the Chair of the Group Audit Committee (who is also the Senior Independent Director), the Chair of the Group Risk Committee, the Group Chief Executive, the Group Chief Financial Officer, the Group Chief Risk and Compliance Officer, and the Group Company Secretary and Chief Governance Officer. Other non-executive Directors and management are invited on a rotational basis, depending on the subject to be discussed. The forum is not decision making but provides regular opportunities for Board members to communicate with senior management to deepen their understanding of, and provide input into, key issues facing the Group. For further details on how the Board engages with the wider workforce, see page 233.

Board governance enhancements due to Covid-19

The Board continued many of the governance changes introduced in 2020 in response to the Covid-19 pandemic, including meeting online during 2021. The Board was kept informed of the continuing challenges and priorities of the management team as part of the formal executive reporting received at these meetings. The following practices continued:

- The Group Chairman prepared a weekly Board update note.
- The Group Chief Risk and Compliance Officer produced a weekly Board report on risk matters, including in relation to the Covid-19 pandemic, as well as market highlights, industry events and results.
- Immunologists and pandemic experts updated the Board on emerging issues.
- The Group Chairman's Forum was held monthly. It was attended by Board committee chairs, as well as chairs of principal subsidiaries.

Technology governance

A Technology Governance Working Group was established in 2021, initially for a period of 12 months, to provide recommendations to enhance the Board's oversight of technology strategy, governance and emerging risks, and to enhance connectivity with the principal subsidiaries. Given their industry expertise and experience, the working group is jointly chaired by Eileen Murray and Steven Guggenheimer. Its members include Group Risk Committee chair Jackson Tai and other non-executive Directors representing each of our US, UK, European and Asian principal subsidiaries. Key technology and business stakeholders have attended the working group to provide insights on technology and information security issues across the Group. The working group has met formally eight times since its inception, and has held additional ad hoc sessions on priority strategic topics including data and cybersecurity. The Technology Governance Working Group's recommendations were presented to the Board in January 2022 when it was decided that the working group will remain an informal committee of the Board. For further details on the future of the working group, see the Group Chairman's governance statement on page 218.

Board engagement with shareholders

In 2021, the Group Chairman, Senior Independent Director and other non-executive Directors, often with the Group Company Secretary and Chief Governance Officer, engaged with a number of our large institutional investors in 15 meetings. The Group Chief Executive and the Group Chief Financial Officer attended over 30 meetings with investors in 2021. Key topics included our financial performance, climate policies and progress in relation to the climate resolution passed at the 2021 AGM. Other topics discussed with investors included geopolitical tensions, primarily relating to Hong Kong, mainland China, the US and the UK, as well as Board composition, changes to the Group Executive Committee, and the impact of the Covid-19 pandemic on the Group, its employees, customers and communities.

The Group Remuneration Committee Chair met with representatives from key investors and proxy advisory firms numerous times during the fourth quarter of 2021, in preparation for its discussion and decision making on the 2021 executive Directors' performance outcomes and the renewal of the 2022 Directors' remuneration policy.

Board roles, responsibilities and meeting attendance

The table below sets out the Board members' respective roles, responsibilities and attendance at Board meetings and the AGM in 2021. For a full description of responsibilities, see www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities.

Roles	Board attendance in 2021	Responsibilities
Group Chairman Mark E Tucker[1,2]	12/12	• Provides effective leadership of the Board and promotes the highest standards of corporate governance practices. • Leads the Board in providing strong strategic oversight and setting the Board’s agenda, culture and values. • Leads the Board in challenging management’s thinking and proposals, and fosters open and constructive debate among Directors. • Maintains external relationships with key stakeholders and communicates investors' views to the Board. • Organises periodic monitoring and evaluation, including externally facilitated evaluation, of the performance of the Board, its committees and individual Directors.
Executive Director **Group Chief Executive** Noel Quinn[2]	12/12	• Leads and directs the implementation of the Group’s business strategy, embedding the organisation’s culture and values. • Leads the Group Executive Committee with responsibility for the day-to-day operations of the Group, under authority delegated to him from the Board. • Maintains relationships with key internal and external stakeholders including the Group Chairman, the Board, regulators, governments and investors.
Executive Director **Chief Financial Officer** Ewen Stevenson[2]	12/12	• Supports the Group Chief Executive in developing and implementing the Group strategy and recommends the annual budget and long-term strategic and financial plan. • Leads the Finance function and is responsible for effective financial reporting, including the effectiveness of the processes and controls, to ensure the financial control framework is robust and fit for purpose. • Maintains relationships with key stakeholders including shareholders.
Non-executive Directors **Senior Independent Director** David Nish[2,3]	12/12	• Supports the Group Chairman, acting as intermediary for non-executive Directors when necessary. • Leads the non-executive Directors in the oversight of the Group Chairman, supporting the clear division of responsibility between the Group Chairman and the Group Chief Executive. • Listens to shareholders' views if they have concerns that cannot be resolved through the normal channels.
Laura Cha[2,3,4]	6/6	• Develop and approve the Group strategy. • Challenge and oversee the performance of management. • Approve the Group’s risk appetite and review risk profile and performance.
Henri de Castries[2,3,4,6]	5/6	
Rachel Duan[3,5]	4/4	
Dame Carolyn Fairbairn[3,5]	4/4	
James Forese[2,3]	12/12	
Steven Guggenheimer[2,3]	12/12	
Irene Lee[2,3]	12/12	
Dr José Antonio Meade Kuribreña[2,3]	12/12	
Heidi Miller[2,3,4]	6/6	
Eileen Murray[2,3,6]	9/12	
Jackson Tai[2,3]	12/12	
Pauline van der Meer Mohr[2,3]	12/12	
Group Company Secretary and Chief Governance Officer Aileen Taylor		• Maintains strong and consistent governance practices at Board level and throughout the Group. • Supports the Group Chairman in ensuring effective functioning of the Board and its committees, and transparent engagement between senior management and non-executive Directors. • Facilitates induction and professional development of non-executive Directors. • Advises and supports the Board and management in ensuring effective end-to-end governance and decision making across the Group.

1 *The non-executive Group Chairman was considered to be independent on appointment.*
2 *Attended the AGM on 28 May 2021.*
3 *Independent non-executive Director. All of the non-executive Directors are considered to be independent of HSBC. There are no relationships or circumstances that are likely to affect any individual non-executive Director’s judgement. All non-executive Directors have confirmed their independence during the year.*
4 *Heidi Miller, Laura Cha and Henri de Castries retired from the Board on 28 May 2021.*
5 *Rachel Duan and Dame Carolyn Fairbairn joined the Board effective 1 September 2021.*
6 *Henri de Castries was unable to attend one Board meeting due to a conflict of interest. Eileen Murray was unable to attend meetings in the last few months of 2021 due to personal health reasons, but was kept informed of Board and relevant committee matters. She was fully briefed ahead of her return to regular meeting attendance in January 2022. Eileen continues to have sufficient time to dedicate to her role with HSBC.*

Board induction and training

The Group Company Secretary and Chief Governance Officer works with the Group Chairman to oversee appropriate induction and ongoing training programmes for the Board. On appointment, new Board members are provided with tailored and comprehensive induction programmes to fit with their individual experiences and needs, including the process for dealing with conflicts.

The induction programme is delivered through formal briefings and introductory sessions with Board members, senior management, legal counsel, auditors, tax advisers and regulators, as appropriate. Topics covered include, but are not limited to: purpose and values; culture and leadership; governance and stakeholder management; Directors' legal and regulatory duties; recovery and resolution risk; anti-money laundering and anti-bribery; technical and business briefings; and strategy.

An early focus on induction allows a new Board member to contribute meaningfully from appointment. The structure of the induction supports good information flows within the Board and its committees, as well as between senior management and non-executive Directors, providing a clear understanding of our culture and way of operating.

During 2021 we welcomed two new non-executive Directors, Rachel Duan and Dame Carolyn Fairbairn, to our Board. We gave careful consideration to creating relevant and bespoke induction programmes for each of the new non-executive Directors, particularly given their differing geographical locations and the continuing Covid-19-related challenges for meetings in person. For illustrations of the typical induction modules, see the 'Directors' induction and ongoing development in 2021' table on the following page.

Non-executive Directors continued to engage with each other through virtual meetings amid continuing Covid-19-related travel restrictions. We continue to plan and look forward to opportunities to facilitate safe and comprehensive person-to-person engagement, both in and out of Board meetings. These opportunities provide invaluable insight and understanding of our business, customers, culture and people.

Directors undertook routine training during 2021. They also participated in 'deep dive' sessions into specific areas of the Group's strategic priorities, risk appetite and approach to managing certain risks. These training sessions included external consultants who provided insights into geopolitical matters, macroeconomics and investor sentiments. Other topics of focus included: operations and technology strategy; the resolvability assessment framework; and climate change and sustainability.

Non-executive Directors also discussed individual development areas with the Group Chairman during performance reviews and in conversations with the Group Company Secretary and Chief Governance Officer. The Group Company Secretary and Chief Governance Officer makes appropriate arrangements for any additional training needs identified using internal resources, or otherwise, at HSBC's expense.

Members of Board committees receive relevant training as appropriate. Directors may take independent professional advice at HSBC's expense.

Board Directors who serve on principal subsidiary boards also receive training relevant to those boards. Opportunities exist for the principal subsidiary and principal subsidiary committee chairs to share their understanding in specific areas with the Board Directors. During 2021, the Group Chairman hosted a Non-Executive Director Summit where 200 independent non-executive directors from the Group's subsidiaries attended a virtual session along with Board Directors. They received updates and training on Group-wide matters including climate change, technology, culture and the launch of the newly developed Non-Executive Director Handbook. Following its success, further Non-Executive Director Summits will take place during 2022.

Q&A with Rachel Duan

Q: What is your impression and experience of the onboarding process for HSBC?

From the very start of the process I was impressed at the level of attention given to my induction programme. Care was taken to tailor my meetings and the information provided so that it was relevant for me and thereby ensured a smooth, efficient and thoughtful process.

Q: How have you managed to get insight into the wider Group governance?

Before my joining date I was afforded many opportunities to meet colleagues, both virtually and physically. Shortly after joining, I visited our Hong Kong office to meet, among others, Peter Wong, non-executive chairman of The Hongkong and Shanghai Banking Corporation Limited. This gave me the chance to gain insight into governance matters in Asia. In July 2021, I was invited to attend the Non-Executive Director Summit, which was a great introduction into the Group's and its subsidiaries' governance matters. These engagements highlighted key areas of focus for HSBC and provided clear insight into the Group's way of working.

Q: How prepared did you feel for the first Board meeting in September?

My tailored engagements and bespoke briefings started shortly after the announcement of my intention to join the HSBC Board in March, all of which helped me get my arms around this complex organisation and made me feel included and ready to execute my role in the boardroom with ease.

Q&A with Dame Carolyn Fairbairn

Q: How have you got an understanding of the Board's focus on culture?

The culture at HSBC is thoughtful and inclusive. I could see from the carefully planned induction meetings which were arranged well ahead of my joining. I have been introduced to two employee resource groups: Ability, the disability and mental health network, and Embrace, an ethnicity network, and value the opportunity to support them. Also, the Board opens every meeting with a 'culture moment', which really demonstrates how it connects closely with the corporate values, and openly expresses how these are observed.

Q: What has been your experience of preparing for membership of the Group Remuneration Committee and the Group Risk Committee?

Before I joined, I engaged closely with the committees' chairs, as well as senior management, to understand their priorities, including a new remuneration policy for the 2022 AGM and the climate agenda. I remain actively engaged with the members to ensure a smooth transition onto these committees.

Q: Did your attendance at the 2021 AGM give you a better understanding of the Group's business?

Attending the 2021 AGM, ahead of my official appointment to the Board, enabled me to witness HSBC's first hybrid meeting with shareholders. I was pleased to see that the company's planning enabled as many shareholders as possible to participate in this annual event, despite the persistent Covid-19 pandemic challenges, demonstrating HSBC's inclusive culture. The questions from shareholders were insightful and gave me a good sense of what was top of investors' minds and how the company was responding to such concerns, particularly on the climate agenda.

Directors' induction and ongoing development in 2021

Director	Induction[1]	Strategy and business briefings[2]	Risk and control[3]	Corporate governance, ESG and other reporting matters[4]	Board and global mandatory training[5]	Chair and subsidiary non-executive Director forums[6]
Rachel Duan	●	●	●	●	●	●
Dame Carolyn Fairbairn	●	●	●	●	●	●
James Forese	○	●	●	●	●	●
Steven Guggenheimer	○	●	●	●	●	●
Irene Lee	○	●	●	●	●	●
José Antonio Meade Kuribreña	○	●	●	●	●	●
Eileen Murray	○	●	●	●	●	●
David Nish	○	●	●	●	●	●
Noel Quinn	○	●	●	●	●	●
Ewen Stevenson	○	●	●	●	●	●
Jackson Tai	○	●	●	●	●	●
Mark Tucker	○	●	●	●	●	●
Pauline van der Meer Mohr	○	●	●	●	●	●

1 *The induction programme was delivered through formal briefings and introductory sessions with Board members, senior management, legal counsel, auditors, tax advisers and regulators, as appropriate. Topics covered included, but were not limited to: purpose and values; culture and leadership; governance and stakeholder management; Directors' legal and regulatory duties; recovery and resolution risk; anti-money laundering and anti-bribery; technical and business briefings; and strategy.*
2 *Directors participated in business strategy, market development and business briefings, which are global, regional and/or market-specific. Examples of specific sessions held in 2021 included: 'US strategy: restructuring of the operating model' and 'Climate change: becoming net zero by 2050'.*
3 *Directors received risk and control training. Examples of specific sessions held in 2021 included: 'Stress testing' and 'ICAAP/ILAAP'.*
4 *All Directors received training on topics such as: 'Resolvability assessment framework', 'Climate and sustainable finance' and 'IFRS 17'.*
5 *Global mandatory training, issued to all Directors, mirrored training undertaken by all employees, including senior management. This included: management of risk under the enterprise risk management framework, with a focus on operational risk; cybersecurity risk; health, safety and well-being; data privacy and the protection of data of our customers and colleagues; combating financial crime, including understanding money laundering, sanctions, fraud and bribery and corruption risks; and our values and conduct, including workplace harassment and speaking up.*
6 *Chairman's Forum, Remuneration Committee Chairs' Forum and the Non-Executive Director Summit.*

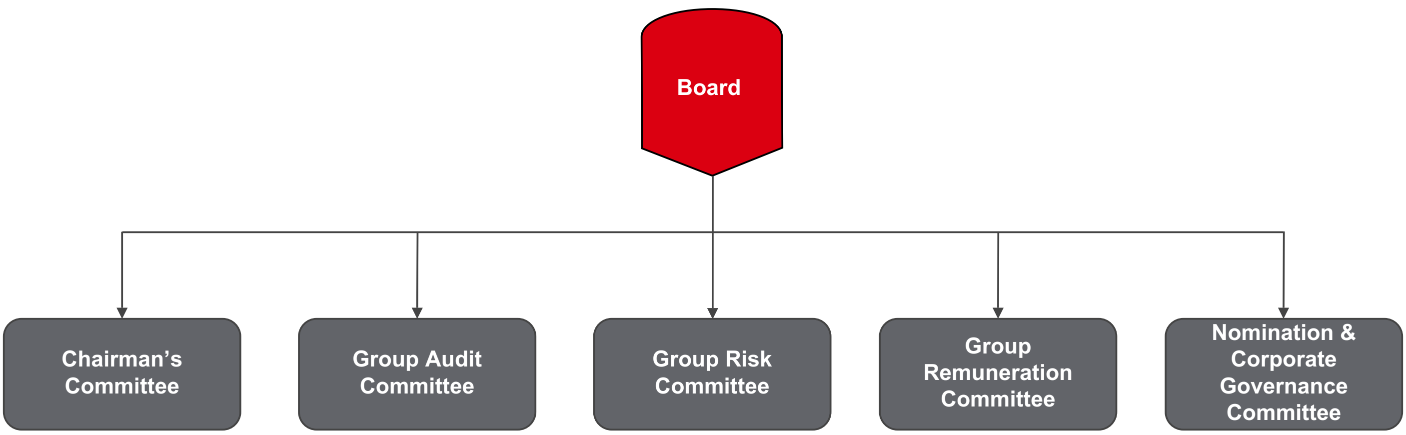
Board committees and working groups

The Board delegates oversight of certain audit, risk, remuneration, nomination and governance matters to its committees. Each standing Board committee is chaired by a non-executive Board member and has a remit to cover specific topics in accordance with their respective terms of reference. Only independent non-executive Directors are members of Board committees. Details of the work carried out by each of the Board committees can be found in the respective committee reports from page 237.

In addition to the Board committees, working groups are established to enhance Board governance. The Technology Governance Working Group was first convened in March 2021 to enhance the Board's oversight of technology strategy, governance and emerging risks, and to enhance connectivity with the principal subsidiaries. The working group will continue in 2022 but will remain a working group, not a formal committee of the Board. For further details, see page 227.

The Board Oversight Sub-Group is also part of the group operating rhythm ahead of Board meetings. As described on page 227, this group offers the Board and senior management an informal forum to discuss key matters before they are considered by the Board.

In addition, the Chairman's Committee is convened to provide flexibility for the Board to consider ad hoc Board and routine matters between scheduled Board meetings. All Board members are invited to attend all Chairman's Committees.



Relationship between Board and senior management

The Board delegates day-to-day management of the business and implementation of strategy to the Group Chief Executive. The Group Chief Executive is supported in his management of the Group by recommendations and advice from the Group Executive Committee ('GEC'), an executive forum comprising members of senior management that include chief executive officers of the global businesses, regional chief executive officers and functional heads.

The Directors are encouraged to have contact with management at all levels, and have full access to all relevant information. Non-executive Directors are encouraged to visit local business operations and meet local management when they attend off-site Board meetings and when travelling for other reasons but only when it is safe to do so. While there were limited physical opportunities for Board members to meet in 2021, there were several virtual meetings with senior executives including induction meetings and subject matter 'deep dives', as well as regular working meetings.

Connectivity between management and the Board is further facilitated through informal discussion held as required on an ad hoc basis, and as part of the Board Oversight Sub-Group meetings.

Executive governance

The Group's executive governance is underpinned by the Group operating rhythm, which helps facilitate end-to-end governance between senior leadership and the Board, and sets out the Board and executive engagement schedule.

The Group operating rhythm is characterised by three pillars:

- The GEC normally meets every week to discuss current and emerging issues.
- On a monthly basis, the GEC reviews the performance of global businesses, principal geographical areas and legal entities. These performance reviews are supplemented by operating unit performance review meetings between the Group Chief Financial Officer and each of the chief executive officers of the global businesses, principal geographical areas and legal entities on an individual basis. The Group Chief Executive and Group Risk and Compliance Officer have standing invitations to these meetings.
- The GEC holds a strategy and governance meeting two weeks in advance of each Board meeting.

Separate committees have been established to provide specialist oversight for matters delegated to the Group Chief Executive and senior management, in keeping with their responsibilities under the Senior Managers and Certification Regime. Some of these committees are dedicated sub-committees of the GEC, including the new ESG Committee, the Transformation Oversight Executive Committee and the Acquisitions and Disposals Committee, and all committees together support and facilitate collective decision taking and individual accountabilities. These committees support the Group Chief Executive and GEC members in areas such as capital and liquidity, risk management, disclosure and financial reporting, restructuring and investment considerations, transformation programmes, ESG matters and talent and development.

In addition to our regional company secretaries supporting our principal subsidiaries, we have corporate governance officers supporting our global businesses and our larger global functions to assist in effective end-to-end governance, consistency and connectivity.

Subsidiary governance

Certain subsidiaries are formally designated as principal subsidiaries by approval of the Board. In addition to their obligations under their respective local laws and regulation, principal subsidiaries have an important role in supporting effective and high standards of governance across the Group.

The designated principal subsidiaries are:

Principal subsidiary	Oversight responsibility
The Hongkong and Shanghai Banking Corporation Limited	Asia-Pacific
HSBC Bank plc	Europe, Bermuda (excluding Switzerland and UK ring-fenced activities)
HSBC UK Bank plc	UK ring-fenced bank and its subsidiaries
HSBC Middle East Holdings BV	Middle East and North Africa
HSBC North America Holdings Inc.	US
HSBC Latin America Holdings (UK) Limited	Mexico and Latin America
HSBC Bank Canada	Canada

In general, principal subsidiaries are responsible for overseeing the implementation of the subsidiary accountability framework for Group companies in the region for which they are responsible. The subsidiary accountability framework, approved in 2020, and refreshed by the Board in 2021, set out to improve communications and connectivity between the Group and its subsidiaries. It is subject to regular review and is occasionally updated to improve how the respective roles of principal subsidiaries and other subsidiaries are articulated. This helps to provide the Group with a shared understanding and a consistent approach towards its strategic objectives, culture and values and furthers the efforts to streamline and align corporate governance.

The Group Chairman interacts regularly with the chairs of the principal subsidiaries, including through the Chairman's Forum, which brings together the chairs of the principal subsidiaries, the chairs of the Group's audit, risk and remuneration committees and the Group Chief Executive to discuss Group-wide and regional matters. The Group Chairman hosted 11 Chairman's Forums in 2021, which were also attended by relevant executive management, to cover sessions on strategy, financial performance and investor sentiment, geopolitics, culture, employee engagement, diversity and inclusion, technology and data, group recovery planning, corporate governance and implementation of the updated subsidiary accountability framework. The Non-Executive Director Summit, hosted by the Group Chairman, was also an effective subsidiary directors' engagement event. For further details, see page 229.

The chairs of the principal subsidiaries' committees are invited to attend the relevant forums to raise and discuss current and future global issues, including regulatory priorities in each of the regions. While the Audit and Risk Committee Chairs' Forums did not take place in 2021, the chairs of the Group Audit Committee and Group Risk Committee continued to have regular dialogue with the respective committees of the principal subsidiaries to ensure an awareness and coordinated approach to key issues. The annual Remuneration Committee Chairs' Forum took place in October, and provided the principal subsidiary chairs with an opportunity to discuss performance, key considerations and positioning in advance of the pay review process. A follow-up forum was held in early December to provide transparency around pay outcomes and allocation, with feedback from the discussion used to shape the final pay proposals, which were considered and approved by the Group Remuneration Committee.

Board members attend principal subsidiary meetings as guests from time to time. Similarly, principal subsidiary directors are invited to attend committee meetings at Group level, where relevant, and in particular, when the Prudential Regulation Authority ('PRA') is in attendance. The chairs of the principal subsidiary risk committees are regular attendees at the Group Risk Committee.

Board activities during 2021

During 2021, the Board was focused on HSBC's strategic direction and overseeing performance and risk. It considered performance against financial and other strategic objectives, key business challenges, emerging risks, business development, investor relations and the Group's relationships with its stakeholders. The end-to-end governance framework facilitated discussion on strategy and performance by each of the global businesses and across the principal geographical areas, which enabled the Board to support executive management with its delivery of the Group's strategy.

The Board's key areas of focus in 2021 are set out by theme below.

Strategy and business performance

Since the Group announced a new strategic focus and associated transformation programme in February 2020, it has set out to reshape underperforming businesses, simplify the organisation and reduce costs. The strategy aims to increase returns for investors, create capacity for future investment and build a sustainable platform for growth.

The Board, which held a dedicated strategy session in May 2021, assessed the delivery of strategic achievements throughout the year through both the perspectives of the global businesses and the regions. The Board took a holistic view by reviewing management's strategic alignment to, and outcomes against, HSBC's four strategic pillars of: focus on our strengths, digitise at scale, energise for growth and transition to net zero.

Environmental, social and governance

In 2020, the Group announced its new climate ambition to align financed emissions to net zero by 2050 and become net zero for its own operations and supply chain by 2030. The Group aims to achieve this by supporting clients on the road to a net zero carbon economy and a focus on sustainable finance opportunities. In 2021, the Board considered more climate matters at its meetings, including participating in four climate 'deep-dives' and approving the climate-related resolution for the 2021 AGM. For further details on how the Board is meeting its climate agenda ambitions, see 'Board decision making and engagement with stakeholders' on page 21 and the ESG review on page 43.

The Board has also considered other sustainability matters, including human rights, a new thermal coal phase-out policy, the operating model for sustainability and the methodology for climate-aligned financing.

The Board received regular reports on the continuing challenges presented by the ongoing Covid-19 pandemic, which supported the Group's responses and measures to mitigate the effects, including, providing medical aid and assistance to our colleagues in India and other regions.

The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. It has enhanced its oversight of ESG matters, with a dedicated agenda item on this topic introduced for 2022. Management has also enhanced its governance model with the introduction of a new ESG Committee and supporting forums, which will support senior management in the delivery of the Group's ESG strategy, key policies and material commitments by providing holistic oversight over – and management and coordination of – ESG commitments and activities.

Financial decisions

The Board approved key financial decisions throughout the year and approved the *Annual Report and Accounts 2020*, the *Interim Report 2021* and the first quarter and the third quarter *Earnings Releases*.

At the start of 2021, the Board approved the 2021 annual financial resourcing plan and in December 2021 approved the financial resourcing plan for 2022. The Board monitored the Group's performance against the approved 2021 financial resourcing plan, as well as the plans of each of the global businesses. The Board also approved the renewal of the debt issuance programme, and as announced on 26 October 2021 the buy-back programme.

Following the decision in 2020 to cancel the fourth interim dividend for 2019, on 23 February 2021, we announced that after considering the requirements set out in the PRA's temporary approach to shareholder distributions for 2020, an interim dividend for 2020 of $0.15 per ordinary share would be paid in cash on 29 April 2021. On 2 August 2021, we announced an interim dividend of $0.07 for the 2021 half-year paid in cash on 30 September 2021. For further details of dividend payments, see page 397 and 'Board decision making and engagement with stakeholders' on page 21.

The Board has adopted a policy designed to provide sustainable dividends going forward. For the financial year 2021, we are at the lower end of our target dividend payout ratio range of between 40% and 55% of reported earnings per ordinary share ('EPS'), driven by ECL releases and higher restructuring costs. The dividend policy has the flexibility to adjust EPS for non-cash significant items such as goodwill or intangible impairments. The Board believes this payout ratio approach will allow for a good level of income to shareholders and a progressive dividend, assuming good levels of economic and earnings growth.

Risk, regulatory and legal considerations

The Board, advised by the Group Risk Committee, promotes a strong risk governance culture that shapes the Group's risk appetite and supports the maintenance of a strong risk management framework, giving consideration to the measurement, evaluation, acceptance and management of risks, including emerging risks.

The Board considered the Group's approach to risk including its regulatory obligations. A number of key frameworks, control documents, core processes and legal responsibilities were also reviewed and approved as required. These included:

- the Group's risk appetite framework and risk appetite statement;
- the individual liquidity adequacy assessment process;
- the individual capital adequacy assessment process;
- the Group's obligations under the Modern Slavery Act and approval of the Modern Slavery and Human Trafficking Statement;
- stress testing and capabilities required to meet the PRA's resolvability assessment framework;
- the revised terms of reference for the Board and Board committees; and
- delegations of authority.

The Board also reviewed and monitored the implications of geopolitical developments during the year including US-China relations and the impacts to trade following the UK's departure from the EU.

Technology

Throughout the year, the Board received regular updates on technology from the Group Chief Operating Officer, including updates on the refreshed technology strategy and restructuring of the technology leadership function.

In early 2021, the Technology Governance Working Group was established to oversee and enhance the Group's governance of technology. For further details on this group's work and the future of the Board's oversight of technology governance, see page 227.

People and culture

The Board continued to spend time discussing people and culture-related topics. To set the right cultural tone, since March 2021, each Board meeting has begun with a Director or regular attendee describing a 'cultural moment' he or she had experienced, including observations of behaviours within the Group aligned to the purpose and values. Once a year the chairs from each of the principal subsidiaries present to the Chairman's Forum on their respective board engagement activities and learnings, including cultural insights. Twice a year the Group Chief Human Resources Officer attends the Board to provide insights into the Group's employee Snapshot survey results measuring employee sentiment, talent plans, progress on the embedding of the new purpose and values, and the measurement of culture. This reporting includes a culture insights report, which allows the Board to monitor culture through receipt of data on culture perceptions and using the indicators of behaviours/sentiment and business outcomes/people data. These presentations help enable the Board to monitor and assess the organisation's culture.

Board engagement with management and the wider workforce continued to remain a strong area of attention.

Governance

The Board continued to oversee the governance, smooth operation and oversight of the Group and its principal and material subsidiaries. Following a review of subsidiary governance, the Board oversaw the implementation of the review findings, with the support of the Nomination & Corporate Governance Committee.

The Board also supported new governance initiatives to encourage simplification and promote effective decision making in the business. Such initiatives included the refinement of Board and committee papers, and a review to reduce unnecessary committee meetings to free management time and encourage individual accountability and decision taking.

Succession planning was considered at the Nomination & Corporate Governance Committee. During the year, Laura Cha, Henri de Castries and Heidi Miller retired as independent non-executive Directors. The Board appointed Rachel Duan and Dame Carolyn Fairbairn as independent non-executive Directors who joined the Board in September 2021. The Board, supported by the Nomination & Corporate Governance Committee, will continue to review the skills and experience of the Board as a whole to ensure that it comprises the relevant skills, diversity, experiences and competencies to discharge its responsibilities effectively.

For further details on the review, subsequent actions and changes to the Board, see the Nomination & Corporate Governance Committee report on page 237.

The Board monitored its compliance with the UK Corporate Governance Code, the Hong Kong Corporate Governance Code and the Companies Act 2006 throughout the year.

Workforce engagement

The Board continued to place great emphasis on the importance of engagement with the workforce, including colleagues affected by the continued impact of the Covid-19 pandemic and the return to offices in the UK and elsewhere. The Board also considered the impact of the launch of our new purpose and values and the ongoing transformation activity, including the announcement of the disposal of our retail businesses in the US and France.

In accordance with the UK Corporate Governance Code, the Board reaffirmed that it continued to believe that the 'alternative arrangements' approach remained most appropriate for the Group in engaging and understanding the views of the workforce. The programme of engagement covered a variety of interaction styles: more bespoke sessions with smaller groups; formal presentations; Q&A opportunities; and other sessions to facilitate engagement across a breadth of experience, geographical spread and seniority. This variety of engagements enabled open dialogue and two-way discussions between Directors and employees. These sessions allowed the Board to gain valuable insight on employee perspectives, which in turn informed their deliberations and decision making at Board and committee meetings. The Board receives updates on how the Group engages with stakeholders, including the workforce, by way of the Group Chief Executive's Board report and the Group Chairman's weekly Board note. In addition, the Board's agenda regularly includes non-executive Director workforce and other stakeholder engagement updates. These help to inform the Board of employee initiatives and sentiment and allow the Board to plan for future engagement activities. For further details of how the Board considered the views of employees and other stakeholders, see the 'Board decision making and engaging with stakeholders' on page 21.

The flexibility of this approach allowed all Board members the opportunity for direct engagement – albeit often virtually during 2021 – with a broad cross-section of the workforce, spanning global businesses, functions and geographies. It also gave insights provided by management through our employee listening tools and surveys. The Board received formal updates from the Group Chief Executive and the Group Chief Human Resources Officer on employee views and sentiment. These include results of employee engagement surveys, benchmarked data, and additional surveys to understand well-being throughout the Covid-19 pandemic. The Chairman's Forum meetings also discussed employee feedback from the Group's subsidiaries.

Specific engagement between the Board and the wider workforce included meetings and events with:

- representatives of the employee resource groups and each of the non-executive Directors who have been partnered to support the designated groups: Ability, Balance, Embrace, Faith, Generations, Nurture, Pride, and Communities;
- the Nurture employee resource group, which hosted online events on domestic abuse and working fathers, during which non-executive Directors discussed with a small group of employees how the Group had supported them during such challenging times and how the Board could promote further initiatives;
- first and second year members of the HSBC graduate scheme, who discussed their experiences of hybrid working and HSBC's culture, purpose and values;
- US executive management, who held succession and emerging talent sessions, and who also discussed our net zero ambitions, career pathways, and the delivery of our strategy; and
- African heritage employee resource group leaders, who held a roundtable event to discuss inclusivity at work.

Board activities in 2021

Main topic	Sub-topic	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Nov	Dec
		Meetings at which topics were discussed[1]									
Strategy	Group strategy	○	○	○	○	●	○	○	○	○	●
	Regional strategy/global business strategy	●	●	○	●	●	●	●	●	○	○
	Environmental, social, governance	○	○	○	○	●	○	○	●	●	●
Business and financial performance	Region/global business	●	●	○	●	●	○	●	●	○	●
	Financial performance	●	●	○	●	●	○	●	●	○	●
Financial	Results and accounts	●	●	○	○	○	○	○	○	○	○
	Dividends	●	●	○	○	○	○	○	○	○	○
	Group financial resource planning	●	○	○	●	○	○	○	○	○	●
Risk	Risk function	●	●	○	●	●	○	●	○	○	●
	Risk appetite	●	○	○	○	○	○	●	●	○	●
	Capital and liquidity adequacy	●	○	●	●	○	○	○	○	○	○
Regulatory	Regulatory and legal matters[2]	○	●	●	●	●	●	●	●	○	●
	Regulatory matters with regulators in attendance[3]	○	○	○	○	○	○	●	●	○	○
External	External insights	○	●	○	●	○	○	●	○	○	●
Technology	Strategic and operational	●	○	○	○	○	○	●	○	●	●
People and culture	Purpose, values and engagement	●	●	○	●	○	○	○	●	○	○
Governance	Subsidiary governance framework	○	●	○	○	○	○	○	○	○	○
	Policies and terms of reference	●	○	○	●	○	●	●	○	○	○
	Board/committee effectiveness	●	○	○	○	○	○	○	○	○	○
	Appointment and succession	●	●	●	○	●	●	●	○	○	○
	AGM and resolutions	●	●	○	●	●	○	○	○	○	○

1 *No formal Board meetings were held during August and October 2021.*
2 *Includes resolvability assessment framework, modern slavery and human trafficking, statement of business principles and code of conduct, regional updates and listing renewals.*
3 *Meetings attended by members of the Financial Conduct Authority, Prudential Regulation Authority, Monetary Authority of Singapore, Hong Kong Monetary Authority.*

Board and committee effectiveness, performance and accountability

The Board and its committees are committed to regular, independent evaluation of their effectiveness at least once every three years.

In 2020, the Nomination & Corporate Governance Committee invited Dr Tracy Long of Boardroom Review Limited to support the Board with its annual evaluation and to conduct a follow-up review on the Board's progress against the findings and recommendations from her 2019 report.

In 2021, the Nomination & Corporate Governance Committee approved the conducting of an internal evaluation of the Board and its committees, with the assistance of an externally facilitated questionnaire system managed by Lintstock, an independent service provider with no other connection to the Group or any individual Director. The questions were designed by the Group Company Secretary and Chief Governance Officer and included some of the themes addressed by Dr Long's previous reviews, namely: leadership, shared perspective, culture, end-to-end governance and future thinking. A summary of the effectiveness reviews of the Board and the Board committees can be found on page 235 and in the respective committee reports on pages 237 to 267.

To gather qualitative feedback the Group Company Secretary and Chief Governance Officer, together with the Deputy Group Secretary, conducted one-to-one interviews with all questionnaire respondents, including all the Board Directors, regular attendees of the relevant meetings and key advisers. The Group Chairman and committee chairs also participated in additional discussion following the consolidation of feedback in respect of the individual committees.

In general, there were consistent findings across the Board and committee reviews. These included: a desire to be more forward looking; more discussion of contextual matters such as economic, social, and geopolitical issues; maintaining a supportive and challenging relationship between the Board, its committees and senior management; providing clear governance for our subsidiaries; and a more consistent approach in leading and living the Group purpose and values.

At its January 2022 meeting, the Board considered the findings and noted the following areas of focus: in person Board and committee meetings; succession planning; diversity in Board composition including the need for more Asian and banking experience; prioritising digital opportunities; and more Board meeting time dedicated to customers.

The Group Chairman led a discussion at which the Board agreed the actions and priorities to be implemented, which will be monitored and addressed on an ongoing basis. Similar discussions were carried out by each of the committee chairs in their respective January meetings. Progress against these actions will be included in the *Annual Report and Accounts 2022.*

During 2021, a review of the Group Chairman's performance was led by the Senior Independent Director in consultation with the other independent non-executive Directors, management and key stakeholders. Non-executive Directors also undergo regular individual reviews with the Group Chairman. These reviews confirmed that the performance of the Group Chairman and each Director was effective and that each had met their time commitments during the year.

The review of executive Directors' performance, which helps determine the level of variable pay they receive each year, is contained in the Directors' remuneration report on page 268.

Summary of 2020 Board effectiveness recommendations and actions:

	Recommendation from the evaluation	Progress against recommendations
Leadership	• Continue to focus on Board succession planning, building on the progress made during 2020 to facilitate and manage succession for Board and committee positions, cognisant of diversity in all aspects and making full use of external advisers and skills matrix analysis. • Embed executive succession so that it translates into a stronger, more diversified talent pool for future senior leadership.	Significant time has been allocated at Nomination & Corporate Governance Committee meetings to discuss these items. An additional session was held in March to discuss Board and committee composition, and senior executive changes. Discussions have included succession candidates at the layer below the GEC, and plans to simplify the senior grade structure at managing director level and above. Progress reports for the Asia talent programme were submitted to Nomination & Corporate Governance Committee meetings, with the first received at the May meeting.
Shared perspective	• Optimise use of Board information to enhance testing of the effectiveness of the strategic and business plans with reference to the evolving external factors and competitive landscape across its key markets.	The Board operating rhythm continues to be effective. Positive feedback from non-executive and executive Directors confirmed that the Board Oversight Sub-Group is valuable for all stakeholders. We have made use of the expertise and experience of our non-executive Directors by rotating attendance at our Board Oversight Sub-Group meetings, according to the topic to be discussed. Regular feedback is sought from members of the GEC and the Board to ensure that the Board operating rhythm continues to support the Group's decision making.
Culture	• Continue to review and determine the culture and key behaviours required to support the delivery of the revised strategy with a clear focus on pace and execution.	The Board Oversight Sub-Group meetings supported both the executive Directors and the Board to take strategic decisions in a timely manner, and ensure effective use of time in Board meetings. The enhanced strategy was announced alongside the 2021 interim results, including the Group's proposed disposal of the US retail banking franchise. Cadence of reporting to the Board in support of its oversight of culture was agreed. This takes place twice per year alongside updates on workforce engagement. The Board has adopted a 'culture moment' at the beginning of each meeting.
Future thinking	• Maintain and evolve good quality papers and presentations to the Board to continue providing insight and supporting informed decision making	The Group’s new Board paper template and guidance on the most effective writing approach has now been implemented across the Board and committee meetings. We also provided presenter and chair training to members of the Group Executive and wider management.

Summary of 2021 Board effectiveness recommendations and actions

	Findings from the evaluation	Recommendations for action
Composition and Board dynamics	• The Board's overall skills and capability, and diversity and inclusion representation, could be improved, particularly with Asian background and banking experience. • Significant collective knowledge of existing chairs who are all extremely able and active in their roles must be considered as part of succession planning. • Strong relationships exist among Board members and senior management with the Board providing appropriate challenge and support as necessary. • The Board Oversight Sub-Group has been a useful forum for Directors and senior management to hold discussions in advance of Board meetings. • There is a strong desire to return to in-person meetings. The Group Chairman was complimented on his management of meetings and Board communication throughout the pandemic. • Increased engagement outside of formal meetings with executives and employees to aid focused, informed and efficient discussion in formal meetings was welcomed.	The Board will support the Nomination & Corporate Governance Committee's focus on identifying and securing additional Board members, reflecting on the membership of the committees, and with a particular focus on Hong Kong, mainland China and south-east Asian representation, as well as banking expertise and diversity. In addition, through the Nomination & Corporate Governance Committee, the Board should consider the tenure of the Chairs of the Board, the Group Audit Committee and the Group Risk Committee to ensure there is well planned succession so as not to lose their collective knowledge and experience within too short a space of time. The Board will explore different approaches to in-person meetings during 2022 to allow members to meet face to face in different locations, and to continue to facilitate communication between the Board and management. The Board will support an appropriate level of employee and customer engagement outside formal meetings while ensuring both receive adequate time on the Board agenda.
Meetings, priorities and materials	• Board meetings were efficiently and effectively managed, in terms of the logistics and support, as well as the quality of materials which had improved during the year as a result of the introduction of the new templates. Continuation of that improvement would help the effort to reduce length, improve timelines and drive clarity. • The Board should build on foundational work to date to provide greater clarity on climate matters, and more broadly ESG issues. • The Board should increase its focus on understanding of – and attention to – customers, and also digital opportunities and threats. • Strategic oversight was highly regarded overall, with a request for the development of Board materials to more easily track progress of the strategic priorities. Attention to execution, prioritisation, capability and capacity were recurring themes.	Senior management will clearly articulate progress against strategic objectives in Board materials, particularly in relation to relevant strategic levers and prioritisation. The forward agenda planner will capture the key areas of future focus, particularly ESG, digital and customer issues. The improvement in style and content of Board and committee papers will continue in 2022 with the Corporate Governance and Secretariat facilitating management's commitment to improving information to the Board. A 2022 Board meeting will include digital opportunities and threats as an agenda item.
Risk	• The Board oversaw risk matters as part of its dedicated sessions but suggested more focus on emerging risks and consideration of 'what keeps management awake at night' with forward-looking discussion and debate at Board meetings in addition to at the Group Risk Committee.	The Board will hold two forward-looking strategic risk discussions per year focused on emerging areas of threat and/or opportunity, to ensure that the Board is considering how to maximise growth opportunities and appropriate mitigants.
Principal subsidiaries	• The Board should continue to evolve good quality papers and presentations at meetings to continue providing insight, and support for, informed decision making.	Through the subsidiary accountability framework, the Board will continue to monitor progress of governance of principal subsidiaries and maintain subsidiary director interactions through the annual virtual Non-Executive Director Summit.
Committee connectivity and collaboration	• The Board should look to improve coordination between Board committees and the Technology Governance Working Group to ensure minimal overlap in content and optimal coverage of relevant matters, and ensure appropriate reporting to the Board for discussion.	The Board will undertake a review of the Board committees' and Technology Governance Working Group's terms of reference, with particular reference to technology, transformation, data, cyber-related matters and ESG matters. In each case, the Board will ensure that there is clarity as to the remit and responsibilities of each committee and the Technology Governance Working Group, with a view to reducing any duplication and ensuring optimal coverage of relevant matters. Enhanced planning will be implemented across Board and committee agendas to improve rhythm of topics for discussion by the Board.

Board committees

Nomination & Corporate Governance Committee

"The Committee has overseen another year of significant activity, with a number of changes to the Board and senior executive team, as well as to our subsidiary governance practices."

Dear Shareholder

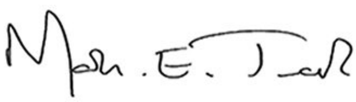
I am pleased to present the Nomination & Corporate Governance Committee report, which provides an overview of the work of the Committee and its activities during the year.

The Committee has overseen another year of significant activity, with a number of changes to the Board and senior executive team, as well as to our subsidiary governance practices.

Executive development and succession has continued to be a priority for the Committee, with various joiners approved throughout the year, improving the capability and depth of our senior leadership team. This included the approval of a new senior leadership structure with an expanded Group Executive Committee and a new General Manager cohort with enterprise-wide responsibilities. The Committee has supported the establishment of a flagship development programme for senior executives and the first HSBC Bank Director Programme, which aims to prepare senior talent for roles on subsidiary boards.

Significant progress has also been made in enhancing our subsidiary governance practices over recent years, with further improvements made during 2021. In accordance with the recommendation arising from the subsidiary governance review undertaken in 2020, we implemented a refreshed subsidiary accountability framework, which now applies to all HSBC subsidiaries on a proportionate basis and provides greater clarity on the Group's expectations of subsidiary boards. A key element of this has been succession planning for our principal and material subsidiary boards, with the Committee overseeing all succession plans and considering requests for exceptions from the requirements of the framework.

As we look ahead to the remainder of 2022, the Committee will continue to play an important role in overseeing our work in improving the standards of corporate governance across HSBC and achieving our ambition of world class governance.



Mark E Tucker

Chair

Nomination & Corporate Governance Committee

22 February 2022

Membership

	Member since	Meeting attendance in 2021
Mark Tucker (Chair)	**Oct 2017**	**8/8**
Laura Cha[1]	**May 2014**	**4/4**
Henri de Castries[1]	**Apr 2018**	**4/4**
Rachel Duan[2]	**Sep 2021**	**2/2**
Dame Carolyn Fairbairn[2]	**Sep 2021**	**2/2**
James Forese	**May 2020**	**8/8**
Steven Guggenheimer	**May 2020**	**8/8**
Irene Lee	**Apr 2018**	**8/8**
José Antonio Meade Kuribreña	**Apr 2019**	**8/8**
Eileen Murray[3]	**Jul 2020**	**7/8**
Heidi Miller[1]	**Apr 2018**	**4/4**
David Nish	**Apr 2018**	**8/8**
Jackson Tai	**Apr 2018**	**8/8**
Pauline van der Meer Mohr	**Apr 2016**	**8/8**

1 *Laura Cha, Henri de Castries and Heidi Miller stepped down from the Board following the conclusion of the AGM on 28 May 2021.*
2 *Rachel Duan and Dame Carolyn Fairbairn were appointed to the Board on 1 September 2021.*
3 *Eileen Murray was unable to attend the December committee meeting for personal health reasons.*

Key responsibilities

The Committee's key responsibilities include:

- leading the process for identifying and nominating candidates for appointment to the Board and its committees;
- overseeing succession planning and development for the Group Executive Committee and other senior executives; and
- overseeing and monitoring the corporate governance framework of the Group and ensuring that this is consistent with best practice.

Committee governance

The Group Chief Executive, Group Chief Human Resources Officer and Group Company Secretary and Chief Governance Officer routinely attended Nomination & Corporate Governance Committee meetings.

Russell Reynolds Associates, which supported the Committee and the management team in relation to Board and senior executive succession planning, regularly attended meetings during the year. It has no other connection with the Group or members of the Board.

The Group Company Secretary and Chief Governance Officer ensured that the Committee fulfilled its governance responsibilities, considering input from various stakeholders when finalising meeting agendas and tracking progress on actions and Committee priorities.

Board composition and succession

The main focus of the Committee during 2021 was on succession planning for the Board and committees. The Committee keeps the composition of the Board and its committees under constant review and continually strives to ensure that the membership, both individually and collectively, has the skills, knowledge and experience necessary to oversee, challenge and support management in the achievement of the Group's strategic and business objectives.

There were a number of retirements from the Board during the year, with Henri de Castries, Laura Cha and Heidi Miller retiring at the conclusion of the 2021 AGM. In addition, since the year-end, we announced that Irene Lee and Pauline van der Meer Mohr would retire from the Board at the conclusion of the 2022 AGM. The Committee is actively considering Pauline's successor as Chair of the Group Remuneration Committee and will provide an update in due course.

The Committee considered both the short-term and long-term succession needs to identify candidates for immediate appointment, and to develop a pipeline for potential future appointments. This will ensure that the longer-term shape of the Board is well aligned to our purpose, strategy and values, and provides relevant skills, experience and knowledge of our priority markets.

In late 2020, the Committee engaged Russell Reynolds Associates to conduct a thorough and robust search to identify prospective candidates for appointment to the Board. This identified a number of potential candidates who met our agreed search criteria, which reflected prior feedback from stakeholders including investors, regulators and the management team. This was initially reviewed by the Group Chairman, with potential candidates presented and discussed by the Committee at various meetings during 2021. Following consideration by the Committee, and meetings between various members of the Committee and priority candidates to understand their interest and capacity, the Board approved the appointments of Rachel Duan and Dame Carolyn Fairbairn with effect from 1 September 2021.

A search for additional non-executive Director candidates, which looks to enhance the Board's collective knowledge and experience of banking and Asia in particular, was initiated during 2021. The search will also look to further enhance diversity on the Board in line with its diversity and inclusion policy. The Committee's search was again supported by Russell Reynolds. The Committee is actively progressing this search and will provide an update in due course.

Board diversity

The Board recognises the importance of gender, social and ethnic diversity, and the strengths this brings to Board effectiveness. There was a significant focus on diversity at Board and senior executive levels in 2021, with consultations issued by our UK regulators and the UK Listing Authority. We are well positioned against the proposals outlined in those consultations and, in line with the Board diversity and inclusion policy, remain committed to increasing diversity at Board and senior levels to ensure we reflect the markets and societies we serve. The policy, which was updated in 2021 to incorporate new targets on female representation, details our approach to achieving our diversity ambitions, and helps to ensure that diversity and inclusion factors are taken into account in succession planning. The revised Board diversity and inclusion policy is available at www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities.

At the end of 2021, we had a 38% female Board representation, with five female Board members out of 13. Our aspirational female representative target is at least 40% by the end of 2023, aligned to the recommendation in the final Hampton-Alexander Review. We continue to exceed the Parker Review target of at least one Director from an ethnic minority background by 2021, with four members of our Board self-identifying in line with the ethnicity/ethnic definition set by Parker. Given the global and international nature of HSBC, including our strong presence and heritage in Asia, the Committee expects the composition of the Board to exceed the current Parker Review recommendations. In line with our purpose and values, the Board believes that a diverse and inclusive Board, reflective of the communities we serve, is key to effective decision making and to developing a sustainable and successful business for HSBC.

Further details on activities to improve diversity across senior management and the wider workforce, together with representation statistics, can be found on page 72.

Independence

Independence is a critical component of good corporate governance, and is a principle that is applied consistently at both Holdings and subsidiary level. The Committee has delegated authority from the Board in relation to the assessment of the independence of non-executive Directors. In accordance with the UK and Hong Kong Corporate Governance Codes, the Committee has reviewed and confirmed that all non-executive Directors who have submitted themselves for election and re-election at the AGM are considered to be independent. This conclusion was reached after consideration of all relevant circumstances that are likely to impair, or could appear to impair, independence.

Senior executive succession and development

The Group Executive Committee underwent a period of significant change during 2021 and engaged Russell Reynolds to identify the best talent for roles on the committee. The changes included the addition of three new roles, as well as the appointments of new Co-Chief Executives for our Asia-Pacific region. These appointments recognised the leadership and capabilities that the Group requires to deliver our strategic commitments.

Succession plans for the Group Executive Committee members were approved at the Nomination & Corporate Governance Committee meeting in December. These reflected continued efforts to support the development and progression of diverse talent and promote the long-term success of the Group.

The Committee also discussed progress under the Asia talent programme, which aims to support the development of potential future leaders from the Group's key region. The initiative exceeded the target of appointing the top talent from the region into stretch roles as part of their development. As part of succession plans, we also identified at least one credible successor of Asia heritage for the region's key roles. Other regions across the Group have begun work to replicate the success in Asia, with updates on their efforts to be provided to the Committee during 2022.

Committee evaluation

The annual review of the effectiveness of the Committee was internally facilitated in 2021. The review concluded that the Committee continued to operate effectively, with a number of positive aspects of the Committee's operation and practices highlighted. Areas for improvement that were identified included the Committee's succession planning practices, and the need to review the support and guidance provided in relation to executive succession activity, including the expectations of leaders in relation to succession preparedness. The Committee discussed the outcomes of the evaluation in January 2022, and endorsed the findings and actions to be taken. The outcomes of the evaluation have been reported to the Board and the Committee will track progress on the recommendations through the year.

Subsidiary governance

The importance of robust, effective and proportionate governance at all levels of the Group is critical, with the 2020 subsidiary governance review of principal subsidiaries identifying a number of areas of good practice and areas where further improvement would be beneficial.

One of the recommended areas for improvement was a refresh of the existing subsidiary governance policy, and the subsidiary accountability framework, to provide greater clarity and guidance on the Group's expectations of various subsidiaries. The refreshed framework, which included additional principles, underpinned by provisions and detailed guidance, took effect from 1 April 2021.

Subsidiary board composition and ensuring effective succession planning practices were key objectives of the refreshed framework. The subsidiary governance review also recommended that guidance should be developed and enhanced with additional provisions to support effective board composition and succession planning. It also expected that boards should use a skills matrix. In connection with the revised expectations, all principal and material subsidiaries submitted their succession plans for the Committee's review. The Committee approved a number of required exceptions from strict compliance with the framework to manage transition for a limited period, and to reflect varying market practices, laws and regulations across our markets.

As part of efforts to make greater use of the skills, expertise and experience among our senior employees for roles on subsidiary boards, the Committee approved the development of the HSBC Bank Director Programme. This programme seeks to equip our internal talent with the appropriate skills and knowledge required to serve on a HSBC subsidiary board. The initiative was developed following consultation with our principal subsidiary chairs, who supported the greater use of an internal talent pool on subsidiary boards, where permitted by applicable laws and regulations.

Business governance review

Following the success of the 2020 review, an equivalent review of the executive governance practices across our three global businesses, Wealth and Personal Banking, Commercial Banking and Global Banking and Markets, was conducted during the fourth quarter of 2021. This work had the strong support of the Group Executive Committee, and involved desktop reviews, meeting observations and interviews.

Overall, the review concluded that the governance of the three global businesses operated effectively, and had improved as a result of governance simplification initiatives sponsored by the Group Executive Committee. The main opportunities for improvement related to further simplification of governance structures. In particular, the role of the global business governance forums within regions and countries will be considered to avoid duplication by ensuring that their roles and responsibilities are clear and distinct.

The findings and recommendations from the review were discussed and endorsed by the Committee in January 2022, with oversight of the actions and next steps to be overseen by the respective global business executive committees and the Group Executive Committee.

Matters considered during 2021

	Jan	Feb	Mar	Apr	May	Jul	Sep	Dec
Board composition and succession								
Board composition, including succession planning and skills matrices	●	●	○	●	●	●	●	●
Approval of diversity and inclusion policy	○	○	○	○	●	○	○	○
Executive talent and development								
Senior executive succession	●	●	●	●	●	●	●	○
Approval of executive succession plans	○	○	○	○	○	○	○	●
Talent programmes	○	●	○	○	●	●	○	○
Governance								
Board and committee evaluation	○	○	○	●	○	○	●	●
Subsidiary governance	●	○	○	○	○	●	●	●
Subsidiary and executive appointments	●	●	○	●	●	●	●	●

Group Audit Committee

"In 2021, the Group Audit Committee carried out significant development in our internal financial controls and regulatory reporting processes to meet a number of challenges."

Dear Shareholder

The Group Audit Committee ('GAC') had a busy agenda in 2021.

We carried out significant development in our internal financial controls and regulatory reporting processes to help meet the challenges of organisational transformation, the continued impact of the Covid-19 pandemic, a changing regulatory landscape and the growing demand for better and more ESG and climate reporting.

To ensure alignment of priorities and understand local challenges, I attended a number of principal subsidiary audit committee meetings. These were supplemented with regular communications that we cascade through the Group, informal meetings with audit committee chairs and a breakout session on key areas for focus at the Non-Executive Director Summit in July 2021.

I regularly met the whistleblowing team to discuss material whistleblowing cases and the effectiveness of whistleblowing arrangements. The GAC spent significant time considering enhancements to whistleblowing arrangements, management's responses to internal audit findings and the thematic and cultural insights that could be used to improve the speak-up culture.

The Committee received regular updates from the Group Chief Financial Officer and the Group Head of Internal Audit on functional transformation, its impact on the control environment and the capacity and capabilities of the functions. The Committee also invited the Global Finance Executive Committee for a private session, and I attended a session of the Global Internal Audit Executive Committee to discuss key topics and themes from a management perspective.

Recognising the importance of providing enhanced trust in reporting to all stakeholders, the Committee provided a detailed response to the UK Government's consultation paper on 'Restoring Trust in Audit and Corporate Governance'.

The Committee implemented all the actions from the 2020 evaluation. The 2021 review determined that the GAC continued to operate effectively.

Eileen Murray stepped down as a member at the 2021 AGM. The Committee continues to have a wide range of financial services experience and I would like to thank all the GAC members and management for their diligent contributions and support to the work of the Committee during the year.

David Nish

Chair, Group Audit Committee, 22 February 2022

Membership

	Member since	Meeting attendance in 2021[1]
David Nish (Chair)	**May 2016**	**11/11**
James Forese[2]	**May 2020**	**10/11**
Eileen Murray[3]	**Jul 2020**	**5/6**
Jackson Tai	**Dec 2018**	**11/11**
Pauline van der Meer Mohr[4]	**Apr 2020**	**10/11**

1 *These included two joint meetings with the Group Risk Committee.*
2 *James Forese was unable to attend one meeting due to extreme weather conditions disrupting air travel.*
3 *Eileen Murray was unable to attend one meeting due to personal circumstances and stepped down from the Group Audit Committee on 28 May 2021.*
4 *Pauline van der Meer Mohr was unable to attend one meeting due to personal circumstances and another due to a prior commitment.*

Key responsibilities

The Committee's key responsibilities include:

- monitoring and assessing the integrity of the financial statements, formal announcements and regulatory information in relation to the Group's financial performance, as well as significant accounting judgements;
- reviewing the effectiveness of, and ensuring that management has appropriate internal controls over, financial reporting;
- reviewing and monitoring the relationship with the external auditor and overseeing its appointment, tenure, rotation, remuneration, independence and engagement for non-audit services;
- overseeing the Group's policies, procedures and arrangements for capturing and responding to whistleblower concerns and ensuring they are operating effectively; and
- overseeing the work of Global Internal Audit and monitoring and assessing the effectiveness, performance, resourcing, independence and standing of the function.

Committee governance

The Committee keeps the Board informed and advises on matters concerning the Group's financial reporting requirements to ensure that the Board has exercised oversight of the work carried out by management, Global Internal Audit and the external auditor.

Committee meetings usually take place a couple of days before Board meetings to allow the Committee to report its findings and recommendations in a timely and orderly manner. This is done through the Chair who comments on matters of particular relevance. The Board also receives copies of the Committee agenda and minutes of meetings.

The Group Chief Executive, Group Chief Financial Officer, Group Head of Finance, Global Financial Controller, Group Head of Internal Audit, Group Chief Risk and Compliance Officer, Group Company Secretary and Chief Governance Officer and other members of senior management routinely attended meetings of the GAC. The external auditor attended all meetings.

The Chair held regular meetings with management, Global Internal Audit and the external auditor to discuss agenda planning and specific issues as they arose during the year outside the formal Committee process. The Committee also regularly met separately with the internal and external auditors and other senior management to discuss matters in private.

The Committee Secretary regularly met with the Chair to ensure the Committee fulfilled its governance responsibilities, and to consider input from stakeholders when finalising meeting agendas, tracking progress on actions and Committee priorities.

Matters considered during 2021

	Jan	Feb	Mar	Apr	Jun	Jul	Sep	Oct	Nov	Dec
Reporting										
Financial reporting matters including: – review of financial statements, ensuring that disclosures are fair, balanced and understandable – significant accounting judgements – going concern assumptions and viability statement – supplementary regulatory information	●	●	○	●	●	●	●	●	●	●
ESG and climate reporting	●	●	○	○	○	●	○	●	●	●
Regulatory reporting-related matters	●	●	●	●	●	●	●	○	○	●
Certificates from principal subsidiary audit committees	○	●	○	○	○	●	○	○	○	○
Control environment										
Control enhancement programmes	●	●	●	●	●	●	●	●	○	○
Group transformation	●	○	○	○	●	○	●	●	○	●
Review of deficiencies and effectiveness of internal financial controls	●	●	○	●	●	●	●	●	○	●
Internal audit										
Reports from Global Internal Audit	●	●	○	●	○	●	○	●	○	●
Annual audit plan, independence and effectiveness	●	○	○	●	○	●	○	○	○	●
External audit										
Reports from external audit, including external audit plan	●	●	○	●	●	●	●	●	○	●
Appointment, remuneration, non-audit services and effectiveness	●	●	○	●	●	○	○	●	○	○
Compliance										
Accounting standards and critical accounting policies	●	●	○	○	○	○	○	○	○	●
Corporate governance codes and listing rules	○	●	○	○	○	●	○	○	○	○
Whistleblowing										
Whistleblowing arrangements and effectiveness	○	●	○	○	●	○	○	○	○	●

Compliance with regulatory requirements

The Board has confirmed that each member of the Committee is independent according to the criteria from the US Securities and Exchange Commission, and the Committee continues to have competence relevant to the sector in which the Group operates. The Board has determined that David Nish and Jackson Tai are 'financial experts' for the purposes of section 407 of the Sarbanes-Oxley Act and have recent and relevant financial experience for the purposes of the UK and Hong Kong Corporate Governance Codes.

The GAC Chair had regular meetings with the regulators, including the UK's PRA and the Financial Conduct Authority ('FCA'). These included trilateral meetings involving the Group's external auditor PwC.

The Committee assessed the adequacy of resources of the accounting and financial reporting function. It also monitored the legal and regulatory environment relevant to its responsibilities.

How the Committee discharged its responsibilities

Connectivity with principal subsidiary audit committees

The Committee maintains a close working relationship with the principal subsidiary audit committees through formal and informal channels.

On a half-year basis, principal subsidiary audit committees provide certifications to the GAC regarding the preparation of their financial statements, adherence to Group policies and escalation of any issues that require the attention of the GAC. Recognising the additional focus on prudential regulatory reporting, the GAC sought additional information via these certifications regarding the governance, review and assurance activities undertaken by the principal subsidiary audit committees in relation to prudential regulatory reporting.

The GAC Chair regularly met with the chairs of the principal subsidiary audit committees, and attended meetings to enable close links and deeper understanding on judgements around key issues. Certain chairs and audit committee members from the principal subsidiary audit committees were also invited to attend meetings of the GAC on relevant topics.

At the Non-Executive Director Summit, the GAC Chair engaged with a number of subsidiary non-executive Directors in a breakout session to discuss key focus areas, including regulatory reporting, ESG and climate reporting and whistleblowing arrangements.

Regular post-meeting communications to principal subsidiary audit chairs were supplemented with informal quarterly catch-ups with a group of the audit committee chairs. These provided opportunities for the discussion of key matters impacting subsidiaries and the Group in between formal meetings.

Internal controls

In 2021, the GAC devoted significant time in overseeing management's approach to enabling a sustainable transformation of the control environment that supports financial, prudential regulatory and other regulatory reporting to meet the evolving expectations of regulators and other stakeholders. The programme will drive end-to-end organisational alignment so that principles and control standards can be designed to deliver a more integrated, standardised and automated control environment. The Committee received regular updates on the mobilisation of the programme workstreams, resourcing and engagement throughout the Group and with regulators. The oversight and implementation of the programme and its component parts will be a key focus for the Committee in 2022.

The Committee received regular updates and confirmations that management had taken, or was taking, the necessary actions to remediate any failings or weaknesses identified through the operation of the Group's framework of controls. For further details on how the Board reviewed the effectiveness of key aspects of internal control, see page 291.

As required by the Sarbanes-Oxley Act, the GAC received updates on the Group's work on section 404 compliance and the Group's broader financial control environment during the year. This was to assess the effectiveness of the internal control system for financial reporting and any developments affecting it. Based on this work, the GAC recommended that the Board support the assessment of the internal controls over financial reporting.

Financial reporting

The Committee is responsible for reviewing the Group's financial reporting during the year, including the *Annual Report and Accounts*, *Interim Report*, quarterly earnings releases, analyst presentations and, where material, Pillar 3 disclosures and other items arising from the review of the Group Disclosure Committee. As part of its review, the GAC:

- evaluated management's application of critical accounting policies and material areas in which significant accounting judgements were applied;

- focused on compliance with disclosure requirements to ensure these were consistent, appropriate and acceptable under the relevant financial and governance reporting requirements;
- provided advice to the Board on the form and basis underlying the long-term viability statement; and
- gave careful consideration to the key performance metrics related to strategic priorities and ensured that the performance and outlook statements were fair, balanced and reflected the risks and uncertainties appropriately.

In conjunction with the Group Risk Committee ('GRC'), the GAC considered the current position of the Group, along with the emerging and principal risks, and carried out a robust assessment of the Group's prospects, before making a recommendation to the Board on the Group's long-term viability statement. The GAC also undertook a detailed review before recommending to the Board that the Group continues to adopt the going concern basis in preparing the annual and interim financial statements. Further details can be found on page 41.

Fair, balanced and understandable

Following review and challenge of the disclosures, the Committee recommended to the Board that the financial statements, taken as a whole, were fair, balanced and understandable. The financial statements provided the shareholders with the necessary information to assess the Group's position and performance, business model, strategy and risks facing the business, including in relation to the increasingly important ESG considerations.

The Committee reviewed the draft *Annual Report and Accounts 2021* and results announcements to enable input and comment. It was supported by the work of the Group Disclosure Committee, which also reviewed and assessed the *Annual Report and Accounts 2021* and investor communications.

This work enabled the GAC to provide positive assurance to the Board to assist them in making the statement required in compliance with the 2018 UK Corporate Governance Code.

ESG and climate reporting

During the year, the GAC reviewed the strategy, scope and status of ESG and climate reporting, including the climate change resolution and scenario analysis disclosure. Management updates were also informed by an HSBC-specific stakeholder feedback survey, which highlighted the appetite for more detailed ESG disclosures on climate metrics, emissions targets and plans on how these would be achieved. The Committee considered the operational, disclosure and litigation risks, which could arise from making further external commitments related to ESG and climate reporting.

The development of methodologies, tools and data to support our ESG strategy remained a key challenge. The GAC discussed management plans to enhance and assure internal and external ESG data sourcing across the Group to develop a common ESG data inventory. The Committee considered the approach to subsidiary reporting, in particular the availability of granular data to support the Group subsidiaries in fulfilling their mandatory disclosure requirements.

Management updated the Committee on the verification and assurance framework to ensure that ESG and climate disclosures were materially accurate, consistent, fair and balanced. The GAC discussed the roles and work of the three lines of defence as part of this framework, as well as proposals for PwC to perform further limited assurance over specific ESG-related metrics.

The Committee oversaw and challenged management on the proposals to further expand the ESG review section of the *Annual Report and Accounts* to incorporate additional disclosures. These include the integration of TCFD disclosures, which were previously published in a stand-alone supplement, and net zero disclosures in relation to the special shareholder resolution on climate change.

The GAC and the GRC held a joint meeting to review the progress made to deliver on the commitment – under the climate change special resolution – to publish a policy to phase out the financing of coal-fired power and thermal coal mining. The committees discussed the positions taken, and the risks associated with the policy, as well as the methodology for capturing and reporting the emissions data across the financing portfolio.

Regulatory reporting

The GAC focused on what improvements were required to regulatory reporting processes and controls, which were operating outside the Board's risk tolerance. The Committee continued to focus heavily on the quality and reliability of regulatory reporting to strengthen the end-to-end processes to meet regulatory expectations. It also challenged management on the scope of the regulatory reporting enhancement programmes. This was in response to findings from HSBC-specific external reviews and other regulatory pronouncements including the PRA's 'Dear CEO' letter on thematic findings on the reliability of regulatory reporting across the industry. The Committee Chair invited certain principal subsidiary audit committee members to GAC meetings to participate in discussions to ensure alignment and understanding of key issues and ongoing regulatory engagement.

Management discussed root cause themes, remediation of known issues and areas of increased risk identified from the risk-based read-across exercise. The Committee considered the near-term actions being taken by management, as well as the strategic remediation plan, including the costs, resources and time for implementation. It also challenged management on the delivery risks and the dependency on other ongoing programmes.

Management also highlighted potential impacts on some of the Group's regulatory ratios, such as CET1 and LCR, and adjustments required to external disclosures.

UK audit reform

The Committee spent significant time in reviewing a UK Government consultation paper – from the Department of Business, Energy and Industrial Strategy – on 'Restoring Trust in Audit and Corporate Governance'. The GAC oversaw the development of the direct HSBC response to the consultation, as well as management's engagement across a number of industry bodies to understand wider views.

In addition, the Committee discussed the management activities being undertaken in preparation for future stages of the consultation. The GAC took steps to review its audit and assurance policy and expand assurance in certain areas, particularly regulatory reporting and ESG. The Committee also considered the impact on the future audit tender strategy, and will be looking to tender in advance of the 10-year rotation point. The Committee has proactively started engagement with the Big Four and challenger audit firms, as part of its preparations.

The Committee will continue to monitor outcomes and next steps arising from the UK Government's consultation.

External auditor

The GAC has the primary responsibility for overseeing the relationship with the Group's external auditor, PwC.

PwC completed its seventh audit, providing robust challenge to management and sound independent advice to the Committee on specific financial reporting judgements and the control environment. The senior audit partner is Scott Berryman who has been in the role since 2019. The Committee reviewed the external auditor's approach and strategy for the annual audit and also received regular updates on the audit, including observations on the control environment. Key audit matters discussed with PwC are set out in its report on page 298.

External audit plan

The GAC reviewed the PwC external audit approach, including the materiality, risk assessment and scope of the audit. The Committee invited a number of the principal subsidiary audit partners to discuss their priorities as part of the review of the external audit plan.

PwC highlighted the changes being made to their approach to enhance the quality and effectiveness of the audit. Changes for the 2022 audit included more auditing being performed centrally across legal entities and the increased use of technology solutions, some of which are aligned to technology change and transformation activities across HSBC.

Effectiveness of external audit process

The GAC assessed the effectiveness of PwC as the Group's external auditor, using a questionnaire that focused on the overall audit process, its effectiveness and the quality of output. PwC highlighted the actions being taken in response to the HSBC effectiveness review, including the development of audit quality indicators, which would provide a balanced scorecard and transparent reporting to the GAC. These focused on the following areas:

- findings from inspections across the Group on PwC as a firm;
- the hours of audit work delivered by senior PwC audit team members, the extent of specialist and expert involvement, delivery against agreed timetable and milestones and the use of technology;
- any new control deficiencies in Sarbanes-Oxley locations, proportion of management identified deficiencies and delivery of audit deliverables to agreed timelines; and
- outcomes and scores from annual audit surveys, independent senior partner reviews and prior period errors.

The GAC will continue to receive regular updates from PwC and management on the progress of the external audit plan and PwC performance across the audit quality indicators.

The GAC monitored the policy on hiring employees or former employees of the external auditor, and there were no breaches of the policy highlighted during the year. The external auditor attended all Committee meetings and the GAC Chair maintains regular contact with the senior audit partner and his team throughout the year.

Independence and objectivity

The Committee assessed any potential threats to independence that were self-identified or reported by PwC. The GAC considered PwC to be independent and PwC, in accordance with professional ethical standards and applicable rules and regulations, provided the GAC with written confirmation of its independence for the duration of 2021.

The Committee confirms it has complied with the provisions of the The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial statements. The Committee acknowledges the provisions contained in the 2018 UK Corporate Governance Code in respect of audit tendering. In conformance with these requirements, HSBC will be required to tender for the audit for the 2025 financial year end and beyond, having appointed PwC from 1 January 2015.

The Committee believed it would not be appropriate to re-tender in 2021 as a change in auditor would have a significant impact on the organisation, including on the Global Finance function and would increase operational risk. In 2021, the Committee's priority was to monitor closely the ongoing industry developments and proposals on reform of the UK external audit market and the impact this may have on any tender process. As a result, the Committee has commenced planning for the next tender process in advance of the 10-year re-tender period, likely to take place no later than early 2023.

The Committee has recommended to the Board that PwC should be reappointed as auditor. Resolutions concerning the reappointment of PwC and its audit fee for 2022 will be proposed to shareholders at the 2022 AGM.

Non-audit services

The Committee is responsible for setting, reviewing and monitoring the appropriateness of the provision of non-audit services by the external auditor. It also applies the Group's policy on the award of non-audit services to the external auditor. The non-audit services are carried out in accordance with the external auditor independence policy to ensure that services do not create a conflict of interest. All non-audit services are either approved by the GAC, or by Group Finance when acting within delegated limits and criteria set by the GAC.

During the period, it was identified that PwC provided an impermissible training service via a publicly available seminar in respect of the implementation of a new Indonesian IT security regulation. The attendees at this seminar included six members of staff from HSBC Indonesia. The HSBC staff who attended the course were not from the Finance function and were not in roles relevant to the audit. In addition, HSBC Indonesia is not within the scope of the Group audit. In light of the nature and scope of the original service and the mitigating factors mentioned above, we do not believe that the provision of the service has affected PwC's professional judgement or integrity in respect of the audit of the Group. Mitigating actions have been implemented by both PwC and HSBC to reinforce the controls around the provision of non-audit services by PwC, including additional independence training and improved communication between relevant parties.

The non-audit services carried out by PwC included 69 engagements approved during the year where the fees were over $100,000 but less than $1m. Global Finance, as a delegate of GAC, considered that it was in the best interests of the Group to use PwC for these services because they were:

- audit-related engagements that were largely carried out by members of the audit engagement team, with the work closely related to the work performed in the audit;
- engagements covered under other assurance services that require obtaining appropriate audit evidence to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information; or
- other permitted services to advisory attestation reports on internal controls of a service organisation primarily prepared for and used by third-party end users.

Ten engagements during the year were approved where the fees exceeded $1m. These were mainly engagements required by the regulator and incremental fees related to previously approved engagements, including the provision of services by PwC relating to the Section 166 Financial Services and Markets Act 2000 Skilled Person report. The PRA instructed a Section 166 review of HSBC's credit risk RWAs as reported at 31 December 2020 and agreed for PwC to provide a reasonable assurance opinion on the accuracy of the regulatory reporting at that date. One new engagement outside the scope of the pre-approved services related to preliminary advanced audit procedures for the adoption of IFRS 17 in 2023.

Auditors' remuneration	**2021** **$m**	2020 $m
Total fees payable	**129.4**	130.2
Fees for non-audit services	**41.3**	37.3

Global Internal Audit

The primary role of the Global Internal Audit function is to help the Board and management protect the assets, reputation and sustainability of the Group. Global Internal Audit does this by providing independent and objective assurance on the design and operating effectiveness of the Group's governance, risk management and control framework and processes, prioritising the greatest areas of risk.

The independence of Global Internal Audit from day-to-day line management responsibility is critical to its ability to deliver objective audit coverage by maintaining an independent and objective stance. Global Internal Audit is free from interference by any element in the organisation, including on matters of audit selection, scope, procedures, frequency, timing, or internal audit report content. Global Internal Audit adheres to The Institute of Internal Auditors' mandatory guidance.

The Group Head of Internal Audit reports to the Chair of the GAC and there are frequent and regular meetings held between them. Results of audit work, together with an assessment of the Group's overall governance, risk management and control framework and processes are reported regularly to the GAC, GRC and local audit and risk committees, as appropriate. This reporting highlights key themes identified through audit activity, and the output from continuous monitoring. This includes business and regulatory developments and an independent view of emerging and horizon risk, together with details of audit coverage and any required changes to the annual audit plan.

Audit coverage is achieved using a combination of business and functional audits of processes and controls, risk management frameworks and major change initiatives, as well as regulatory audits, investigations and special reviews. In addition to the ongoing importance of regulatory-focused work, key risk theme categories for 2021 audit coverage were strategy, governance and culture, financial crime, conduct and compliance, financial resilience and operational resilience. In 2021, Global Internal Audit increased coverage on the Group's transformation programme and performed project audit activity for selected complex and high-priority business cases. Global Internal Audit also continued its 'real-time audit' approach, notably to cover areas of strategic importance. 'Real-time audits' provide real-time, independent ongoing observations to management, with issues being raised for significant observations that are not addressed in a timely manner. In addition, in 2021, Global Internal Audit implemented its revised 'culture audit' approach which assesses the impact of culture in supporting or inhibiting sustainable performance against strategic aspirations and managing risk within risk appetite. The approach combines internal audit and behavioural science principles, which align to regulator culture assessments and industry best practice.

Executive management is responsible for ensuring that issues raised by the Global Internal Audit function are addressed within an appropriate and agreed timetable. Confirmation to this effect must be provided to Global Internal Audit, which validates closure on a risk basis.

Consistent with previous years, the 2022 audit planning process includes assessing the inherent risks and strength of the control environment across the audit entities representing the Group. Results of this assessment are combined with a top-down analysis of risk themes by risk category to ensure that themes identified are addressed in the annual plan. Risk theme categories for the 2022 audit work continue to be strategy, governance and culture, financial crime, conduct and compliance, financial resilience and operational resilience. In 2022, a quarterly assessment of key risk themes will form the basis of thematic reporting and plan updates and will ultimately drive the 2023 planning process. The annual audit plan and material plan updates made in response to changes in the Group's structure and risk profile are approved by the GAC.

Based on regular internal audit reporting to the GAC, private sessions with the Group Head of Internal Audit, the Global Professional Practices annual assessment and quarterly quality assurance updates, the GAC is satisfied with the effectiveness of the Global Internal Audit function and the appropriateness of its resources.

Global Internal Audit maintains a close working relationship with HSBC's external auditor, PwC. The external auditor is kept informed of Global Internal Audit's activities and results, and is afforded free access to all internal audit reports and supporting records.

Principal activities and significant issues considered during 2021

Collaborative oversight by GAC and GRC

The GAC and GRC worked closely to ensure there were procedures to manage risk and oversee the internal control framework. They also worked together to ensure any common areas of responsibility were addressed appropriately with inter-committee communication or joint discussions with the Chairs.

The Chairs are members of both committees and engage on the agendas of each other's committees to further enhance connectivity, coordination and flow of information.

Areas of joint focus for the GAC and GRC during 2021 were:

Sustainable control environment

As discussed in the 'Internal controls' section of this report, the GAC oversaw management's approach to create a sustainable transformation of the control environment. The programme, and its impact on the internal control environment as a whole, was also discussed by the GRC.

In conjunction with the GRC, the GAC monitored the remediation of significant deficiencies and weaknesses in controls raised by management and the external auditor. The GAC will continue to monitor the progress of remediation as well as efforts to integrate requirements of the Sarbanes-Oxley Act with the operational risk framework as part of the sustainable control environment programme. The committees will also continue to monitor the regulatory reporting enhancements programmes to bring regulatory reporting processes within the risk appetite.

In 2021, the GAC and GRC Chairs worked closely with the Group Chief Risk and Compliance Officer and the Group Head of Internal Audit to:

- ensure that risks and issues highlighted at the GAC from audit reports were appropriately captured and reported as part of the wider internal controls discussion at the GRC; and
- coordinate the approach and oversight required for the remediation of very high risk and high risk issues identified by Global Internal Audit, as well as the establishment of a single repository of issues across HSBC.

The GAC and the GRC also held a joint meeting to consider data strategy and data management. Further details can be found in the GRC report on page 250.

Financial reporting

In addition to the GRC's overall review of the Group's risk appetite and risk management framework, the GAC gave particular focus to risk measures impacting financial reporting. This included the review of the financial reporting, tax and pension risk appetite statements. The GAC and the GRC also considered how the approach to financial reporting risk appetite could be evolved to drive a reduction in the exposure to this risk over the medium term and provide better visibility to financial and prudential regulatory reporting separately.

The committees worked collaboratively in reviewing ESG and climate risks, as well as the financial and regulatory reporting impacts. For further details, see the 'ESG and climate reporting' section of this report on page 80.

Given the continued impact from the Covid-19 pandemic, the GAC and the GRC reviewed the risks arising from models used for the estimation of expected credit losses under IFRS 9. The committees challenged the underlying economic scenarios, additional scenarios added by management and the reasonableness of the weightings applied to each scenario in order to understand the impact on the financial statements.

Whistleblowing and speak-up culture

An important part of HSBC's values is ensuring that colleagues have the confidence to speak up when they observe unlawful or unethical behaviour. HSBC provides a variety of channels for colleagues to raise concerns, including through the Group's whistleblowing channel, HSBC Confidential (see page 87 for further information). The GAC is responsible for the oversight of the effectiveness of the Group's whistleblowing arrangements. The Group Head of Compliance provides periodic reporting to the GAC on the efficacy of the whistleblowing arrangements, providing an assessment of controls and detailing the results of internal audit assessments. The Committee is also briefed on culture and conduct risks and associated management actions arising from whistleblowing cases. The Chair of the GAC acts as the Group's whistleblowers' champion, with responsibility for ensuring and overseeing the integrity, independence and effectiveness of HSBC's policies and procedures on whistleblowing and the protection of whistleblowers. The Chair met with the Group Head of Conduct, Policy and Whistleblowing throughout the year for briefings on material whistleblowing cases and assessments of the whistleblowing arrangements.

The Committee has requested updates on a number of key areas during 2021, including: enhancements made to the Group's whistleblowing arrangements following an external benchmarking assessment in December 2020; completion of actions arising from Global Internal Audit reviews; and details of key emerging conduct themes across the arrangements. During 2022, the Committee will be provided with updates on how whistleblowing arrangements are actively supporting our purpose and values, and conduct approach.

Principal activities and significant issues considered during 2021

Areas of focus	Key issues	Conclusions and actions
Financial and regulatory reporting	**Key financial metrics and strategic priorities** The GAC considered the key judgements in relation to external reporting to track the key financial metrics and strategic priorities and to review the forecast performance and outlook.	In exercising its oversight, the Committee assessed management's assurance and preparation of external financial reporting disclosures. The Committee was particularly focused on the ongoing Covid-19-related uncertainty and how management addressed and reflected the impact of the pandemic in external reporting and disclosures. The Committee reviewed the draft external reporting disclosures and provided feedback and challenge on the top sensitive disclosures, including key financial metrics and strategic priorities to ensure HSBC was consistent and transparent in its messaging.
	Environmental, social and governance ('ESG') reporting The Committee considered management's efforts to enhance ESG disclosures and associated verification and assurance activities. The GAC reviewed the 2021 ESG disclosure approach in line with our external commitments.	In relation to our climate change resolution, particular attention was given to the disclosure of the financed emissions. The Committee reviewed the ESG reporting strategy, including the broadening of ESG coverage in the *Annual Report and Accounts* and management's approach on integrated reporting, which will be further informed by feedback from external stakeholders.
	Regulatory reporting assurance programme The GAC monitored the progress of the regulatory reporting assurance programme to enhance the Group's regulatory reporting, impact on the control environment and oversee regulatory reviews and engagement.	The Committee reflected on the continued focus on the quality and reliability of regulatory reporting by the PRA and other regulators globally. The GAC reviewed management's efforts to strengthen and simplify the end-to-end operating model, including commissioning independent external reviews of various aspects of regulatory reporting. The Committee discussed and provided management's engagement plans with the Group's regulators, including any potential impacts on some of our regulatory ratios such as CET1 and LCR. We continue to keep the PRA and other relevant regulators informed of our progress.
Significant accounting judgements	**Expected credit losses** The measurement of expected credit losses involves significant judgements, particularly under current economic conditions. Despite a general recovery in economic conditions in 2021, there remains an elevated degree of uncertainty over ECL estimation under current conditions, due to macroeconomic, political and epidemiological uncertainties.	The GAC reviewed the economic scenarios for the key countries in which the Group operates, and challenged management's judgements as to the weightings assigned to these scenarios. The GAC also challenged management's approach to making management adjustments to account for the uncertainty in outcomes arising from Covid-19 and China commercial real estate,, including the rationale for such adjustments, the controls underpinning the adjustment processes, and under what conditions such adjustments could be reduced or removed. The GAC also challenged management on the overall levels of ECL across portfolios, including looking at historical performances of portfolios and peer group comparisons.
	Goodwill, other non-financial assets and investment in subsidiaries impairment During the year, management tested for impairment goodwill, other non-financial assets and investments in subsidiaries. Key judgements in this area relate to long-term growth rates, discount factors and what cash flows to include for each cash-generating unit tested, both in terms of compliance with the accounting standards and reasonableness of the forecast. During the year, the Group recognised $0.6bn impairment in relation to goodwill and an impairment reversal of $3.1bn in investments in subsidiaries.	The GAC received reports on management's approach to goodwill, other non-financial assets and investments in subsidiaries impairment testing and challenged the approach and methodologies used,with a key focus on the cashflows included within the forecasts and the discount rates used. The GAC also challenged management's key judgements and considered the reasonableness of the outcomes as a sense check against the business forecasts and strategic objectives of HSBC.
	Associates (Bank of Communications Co., Limited) During the year, management performed the impairment review of HSBC's investment in Bank of Communications Co., Ltd ('BoCom'). The impairment reviews are complex and require significant judgements, such as projected future cash flows, discount rate, and regulatory capital assumptions.	The GAC reviewed the judgements in relation to the impairment review of HSBC's investment in BoCom, including the sensitivity of the results to estimates and key assumptions such as projected future cash flows and regulatory capital assumptions. Additionally, the GAC reviewed the model's sensitivity to long-term assumptions including the continued appropriateness of the discount rates. The GAC also challenged management to review all aspects of its approach to accounting for BoCom to ensure the approach remains the most appropriate in terms of accounting judgements including compliance with the relevant accounting requirements.
	Legal proceedings and regulatory matters Management has used judgement in relation to the recognition and measurement of provisions, as well as the existence of contingent liabilities for legal and regulatory matters, including, for example, an FCA investigation into HSBC Bank's and HSBC UK Bank's compliance with the UK money laundering regulations and financial crime systems and controls requirements.	The GAC received reports from management on the legal proceedings and regulatory matters that highlight the accounting judgements for matters where these are required. The matters requiring significant judgements were highlighted. The GAC has reviewed these reports and agrees with the conclusions reached by management.

Principal activities and significant issues considered during 2021 (continued)

Areas of focus	Key issues	Conclusions and actions
Significant accounting judgements	**Valuation of defined benefit pension obligations** The valuation of defined benefit pension obligations involves highly judgemental inputs and assumptions, of which the most sensitive are the discount rate, pension payments and deferred pensions, inflation rate and changes in mortality.	The GAC has considered the effect of changes in key assumptions on the HSBC UK Bank plc section of the HSBC Bank (UK) Pensions Scheme, which is the principal plan of HSBC Group.
	Valuation of financial instruments Due to the ongoing volatile market conditions in 2021, management continuously refined its approach to valuing the Group's investment portfolio. In addition, as losses were incurred on the novation of certain derivative portfolios, management considered whether fair value adjustments were required under the fair value framework. Management's analysis provided insufficient evidence to support the introduction of these adjustments in line with IFRSs.	The GAC considered the key valuation metrics and judgements involved in the determination of the fair value of financial instruments. The GAC considered the valuation control framework, valuation metrics, significant year-end judgements and emerging valuation topics and agrees with the judgements applied by management.
	Long-term viability and going concern statement The GAC has considered a wide range of information relating to present and future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios that reflect the increasing uncertainty that the global Covid-19 pandemic continues to have on HSBC's operations, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.	In accordance with the UK and Hong Kong Corporate Governance Codes, the Directors carried out a robust assessment of the principal risks of the Group and parent company. The GAC considered the statement to be made by the Directors and concluded that the Group and parent company will be able to continue in operation and meet liabilities as they fall due, and that it is appropriate that the long-term viability statement covers a period of three years.
	Tax-related judgements HSBC has recognised deferred tax assets to the extent that they are recoverable through expected future taxable profits. Significant judgement continues to be exercised in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies.	The GAC considered the recoverability of deferred tax assets, in particular in the US, France and the UK. The GAC also considered management's judgements relating to tax positions in respect of which the appropriate tax treatment is uncertain, open to interpretation or has been challenged by the tax authority.
	Impact of acquisitions and disposals In 2021, HSBC engaged in a number of business acquisition and disposal activities, notably in the US, France, Singapore and India. There are a number of accounting impacts that need to be considered, including the timing of recognition of assets held-for-sale, gains or losses, and the measurement of assets and liabilities on acquisition or disposal.	The GAC considered the impacts of the planned exits of the French and US retail banking businesses and the timing of the accounting recognition of these transactions. The GAC also considered the financial and accounting impacts of other acquisitions and disposals.

Principal activities and significant issues considered during 2021 (continued)

Areas of focus	Key issues	Conclusions and actions
Group transformation	**Transformation and sustainable control environment** The GAC will oversee the impact on the risk and control environment from the Group transformation programme.	The Committee received regular updates on the Group transformation programme – and the broader change framework – to review the impact on the risk and control environment and to oversee progress of the transformation programme. In these updates, the Committee monitored the progress of the programme, and focused on the implementation of the new change framework and the management of the entire change portfolio. This oversight helped the Committee to understand the key improvements being made to the management of the change portfolio, and progress on the implementation. Management's updates were supplemented by significant focus and assurance work from Global Internal Audit where a dedicated team continuously monitored and reviewed the Group transformation programme. This included carrying out a number of targeted audit reviews, in addition to audits of significant programmes. These reviews focused on key elements of change management.
	Global Finance transformation The Committee reviewed the proposals for the Global Finance organisational design, the migration to Cloud and the impact on financial controls.	The Committee has oversight for the adequacy of resources and expertise, as well as succession planning for the Global Finance function. During 2021, the Committee dedicated significant time to the review and progress of the multi-year Global Finance transformation programme, with the overall objectives being to improve the control environment and customer outcomes and to make use of technology to increase overall efficiency. In particular, the Committee discussed the challenges to Global Finance operations, including financial reporting, from the Covid-19 pandemic and sought assurance that controls were in place to maintain standards and quality. The Committee has received regular status updates on the progress of the Global Finance transformation, the outcomes achieved to date and challenges encountered. The Committee has continued to dedicate significant time to the review of the progress of the programme. A key objective of the programme is to improve the Group's control environment and a particular focus of the Committee has been the interaction of the Global Finance transformation programme and the programmes to enhance the Group's regulatory reporting control environment. The Committee has also considered the dependencies that key regulatory change programmes, such as the Basel III Reform programme, have on the Global Finance transformation. In addition, the Committee has specifically sought to understand the impact of new requirements and programme re-planning on the delivery and timing of programme outcomes. Sessions have been held with individual Committee members to support a more detailed understanding of the programme risks and challenges. The results of Global Internal Audit reviews of the programme have been considered by the Committee and there have been frequent discussions with Global Internal Audit on its assessment of the progress and risks of the programme. The Group Chief Financial Officer had private sessions with the Committee to share his perspectives on the progress of the Global Finance transformation and where additional focus was required.
Regulatory change	**IFRS 17 'Insurance Contracts'** The Committee will oversee the transition to IFRS 17 and consider the wider strategic implications of the change on the insurance business.	Earlier in 2021, management provided an update on the potential impact of IFRS 17 on HSBC's reported numbers in the financial statements, and conducted a walk-through of the relevant disclosure requirements applicable to HSBC, including an introduction to GAAP and potential non-GAAP metrics to support investor communications during and after the transitional period. In response to questions from GAC members, including from the Chair, relating to the overall financial management of the insurance business, a separate session was organised with the Chair of the GAC on 16 June 2021. The meeting covered different aspects of insurance financial management, with a particular focus on interest rate management and business strategy. Since then, HSBC released further information on the impact of IFRS 17 on HSBC's reported numbers, as part of the third quarter 2021 earnings release statement, as well as providing a briefing to analysts on IFRS 17. Feedback from analysts so far has been positive, particularly given HSBC was the first to provide high-level indicative impact based on planning assumptions. In December 2021, management provided an update on the disclosure of performance metrics on adoption of IFRS 17, including its current intention to continue to provide Value of New Business and embedded value metrics for comparability.
	Basel III Reform The GAC considered the implementation of the Basel III Reform and the impact on the capital requirements and RWA assurance. This was considered in the context of the strategy and structure of the balance sheet.	The Committee received an update on the progress and impact of the Basel III Reform programme on the Group. Management discussed the uncertainty over the final definition of the rules and the actions taken to ensure sufficient flexibility to make changes and mitigate risks from legislation being finalised at a later date. The discussion highlighted the dependencies of the Basel III Reform programme with other Group transformation programmes, in particular the dependency on adoption of the Finance on the Cloud solution and the impact on data delivery and storage. The Committee reviewed and challenged management on the findings from an audit on the programme structure, governance and the significant cost increase year on year. Management explained the actions being taken in response to the audit findings and the reasons for the increase in costs, which included delays to implementation dates caused by the Covid-19 pandemic.

Principal activities and significant issues considered during 2021 (continued)

Areas of focus	Key issues	Conclusions and actions
Regulatory change	**Interest rate benchmark replacement** The financial reporting risks of interest rate benchmark transition include the potential for volatility arising from financial instruments valuation, contract modification and hedge accounting. The transitions involve significant operational complexity for financial institutions, and industry approaches to transition continue to develop.	The GAC noted management's early adoption of 'Interest Rate Benchmark Reform – Phase 2' amendments to IFRSs in relation to benchmark reform, including the disclosures necessary to support adoption of the reliefs. The Committee considered the risks and financial reporting impacts arising from the Ibor transition. Management discussed actions being taken to mitigate the risks, which included new product development and a client outreach programme, to ensure we were ready to migrate and able to explain the changes and outcomes arising from the transition to clients. Management advised about the operational challenges, such as the updates to current systems and processes that were required to support the accounting for the Ibor transition, and our external dependency on market and client readiness. In particular, management drew attention to the potentially material impact on hedge accounting programmes from the Ibor transition and the substantial costs and risks involved in the redocumentation of hedges. The Committee discussed the approach being taken across the industry with management and PwC, and potential impacts on the control environment relevant to financial reporting from the Ibor transition.

Committee evaluation and effectiveness

The annual review of the effectiveness of the Board committees, including the GAC, was conducted internally in 2021. Led by the Group Company Secretary and Chief Governance Officer, the review concluded that the GAC continued to operate effectively. Management of meetings and reporting to the Board on discussions, in particular, were rated highly.

The review also made certain recommendations for continual improvement. The GAC was recommended to review the composition of the GAC to broaden the skillset, ensure clarity in roles and improve the coordination between the GAC and other Board committees and working groups relating to technology and ESG. Succession planning was also highlighted as a priority. The Committee considered the outcomes of the evaluation and accepts the findings. The evaluation outcomes were reported to the Board and the Committee will track progress against the recommendations during 2022.

Focus of future activities

At the beginning of each year, the Committee discusses its key priorities for the year ahead. In 2022, the Committee will continue to focus strongly on the remediation of controls, particularly those supporting regulatory reporting. The Committee will continue to monitor the execution of the Group's transformation programme and its impact on the risk and control environment. It will also monitor the interdependencies between the transformation programme and the implementation of large-scale regulatory change programmes, such as the Basel III reforms, the Ibor transition and IFRS 17 'Insurance Contracts'. A key priority will be to further embed ESG and climate-related disclosures to meet increasing expectations of stakeholders, in particular the implementation of robust processes and controls to support these disclosures. The Committee will focus on the audit tender strategy in preparation for the next re-tender, and will consider the impact of potential changes to the UK external audit market on HSBC's approach to audit and assurance.

Group Risk Committee

"The GRC provided oversight on the management of Covid-19-related financial risks, including the Group's release of expected credit loss reserves in response to the improving macroeconomic conditions."

Dear Shareholder

I am pleased to present the Group Risk Committee ('GRC') report.

The year commenced with a challenging risk outlook due to increasing Covid-19 infections and lockdowns across markets. The outlook began to stabilise by the second quarter, with the roll-out of global vaccine programmes, and the GRC monitored the impact of new strains, including the Omicron variant.

Against this backdrop, the GRC provided oversight on the management of Covid-19-related financial risks, including the Group's release of expected credit loss reserves in response to the improving macroeconomic conditions. The Committee worked closely with the Group Chief Risk and Compliance Officer in strengthening the Group's risk management framework to be even more forward looking, granular and risk connected. The GRC continued its oversight of people and operational challenges presented by the pandemic and market conditions.

Throughout the year, the GRC played a central role in reviewing and challenging management on the Group's regulatory submissions and programmes, including the Bank of England's requirements for the resolvability assessment framework. The GRC had primary non-executive responsibility for reviewing the outcomes of regulatory stress tests, including the Bank of England's biennial exploratory scenario on the financial risk from climate risk, and the 2021 solvency stress test. The GRC reviewed and challenged the Group's thermal coal phase-out policy and approach to climate-aligned finance in a joint meeting with the GAC. The Committee continued its oversight of the Group's preparations to meet the PRA's requirements on operational resilience.

The GRC continued to strengthen its composition, skills and experience to ensure that it remains well positioned to promote proactive risk governance. On 1 September 2021, we welcomed Dame Carolyn Fairbairn, a seasoned macroeconomic and political environment expert. Heidi Miller and Pauline van der Meer Mohr left the GRC on 28 May 2021. I extended our gratitude to each for their valued commitments and support to the GRC.

The GRC convened 11 formal meetings, two of which were joint meetings with the GAC, and 13 education and special meetings to review and challenge some of our most important responsibilities.

Jackson Tai

Chair

Group Risk Committee

22 February 2022

Membership

	Member since	Meeting attendance in 2021[1]
Jackson Tai (Chair)	**Sep 2016**	**11/11**
Dame Carolyn Fairbairn[2]	**Sep 2021**	**3/3**
Steven Guggenheimer	**May 2020**	**11/11**
José Antonio Meade Kuribreña	**May 2019**	**11/11**
Heidi Miller[3]	**Sep 2014**	**6/6**
Eileen Murray[4]	**Jul 2020**	**9/11**
David Nish[5]	**Feb 2020**	**10/11**
Pauline van der Meer Mohr[6]	**Apr 2018**	**5/6**

1 *These included two joint meetings with the Group Audit Committee.*
2 *Dame Carolyn Fairbairn joined the GRC on 1 September 2021.*
3 *Heidi Miller stepped down from the GRC on 28 May 2021.*
4 *Eileen Murray was unable to attend two meetings due to personal circumstances.*
5 *David Nish was unable to attend one meeting due to a prior commitment.*
6 *Pauline van der Meer Mohr was unable to attend one meeting due to personal circumstances, and stepped down from the GRC on 28 May 2021.*

Key responsibilities

The GRC has overall non-executive responsibility for the oversight of risk-related matters and the risks impacting the Group. The GRC's key responsibilities are:

- overseeing and advising the Board on all risk-related matters, including financial risks, non-financial risks and the effectiveness of the Group's conduct framework;
- advising the Board on risk appetite-related matters, and key regulatory submissions;
- reviewing the effectiveness of the Group's enterprise risk management framework and internal controls systems (other than internal financial controls overseen by the GAC); and
- reviewing and challenging the Group's stress testing exercises.

Committee governance

The Group Chief Risk and Compliance Officer, Group Chief Financial Officer, Group Chief Operating Officer, Group Company Secretary and Chief Governance Officer, Group Chief Legal Officer, Group Head of Internal Audit, Group Head of Finance and Group Head of Risk Strategy are standing attendees and regularly attend GRC meetings to contribute their subject matter expertise and insight. The Chair and members of the GRC also hold private meetings with the Group Chief Risk and Compliance Officer, the Group Head of Internal Audit and external auditor, PwC, following scheduled GRC meetings.

The participation of our senior business leaders, including the Group Chief Executive who attended 9 GRC meetings in 2021, reaffirmed the ownership and accountability of risks in the first line of defence and strengthened our holistic three lines of defence review of our most pressing risks.

The Chair meets regularly with the Group Chief Risk and Compliance Officer to discuss priorities, track progress on key actions and plan GRC meeting agendas. The Chair also has regular meetings with members of senior management to discuss specific risk matters that arise during the year outside formal meetings. The Chair meets regularly with the GRC Secretary and other members of the Corporate Governance and Secretariat to ensure the GRC meets its governance responsibilities, and to consider input from stakeholders when finalising meeting agendas, tracking progress on actions and GRC priorities. A summary of coverage is set out in the 'Matters considered during 2021' table on page 250.

Matters considered during 2021

	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Nov	Dec
Financial risk	●	●	●	●	●	●	●	●	○	●
Credit risk	●	●	●	●	●	○	●	●	○	●
Climate risk	○	○	●	●	○	○	●	●	●	●
IT and operational risk including outsourcing, third-party risk management, cyber risk	●	●	●	●	●	○	●	●	○	●
Model risk	●	○	○	●	●	○	○	○	○	○
People and conduct risk	○	○	●	○	●	○	○	●	○	●
Risk appetite	●	●	○	○	○	○	●	●	○	●
Financial crime risk	●	●	●	●	●	○	●	●	○	●
Regulatory compliance	●	●	○	●	●	○	●	●	○	●
Legal risk	●	●	○	●	○	○	●	○	○	●

How the Committee discharged its responsibilities

Activities outside formal meetings

The GRC held a number of meetings outside its regular schedule to facilitate more effective oversight of the risks impacting the Group. In particular, Directors' education meetings and GRC Chair's preview meetings strengthened the understanding of more technical topics and promoted constructive challenge. Areas covered included stress testing, ICAAP and ILAAP preparations, as well as recovery and resolution planning. Further details on these sessions are included in the 'Principal activities and significant issues considered during 2021' table starting on page 251.

Connectivity with principal subsidiary risk committees

During 2021 the GRC continued to actively engage with principal subsidiary risk committees through the scheduled participation of principal subsidiary risk committee chairs at GRC meetings, and through two connectivity meetings with the principal subsidiary risk committee chairs. This participation and connectivity promoted the sharing of information and best practices between the GRC and principal subsidiary risk committees.

The GRC also received reports on the key risks facing particular principal subsidiaries at its regular meetings and continued to review certifications from the principal subsidiary risk committees. The certifications confirmed that the principal subsidiary risk committees had challenged management on the quality of the information provided, reviewed the actions proposed by management to address any emerging issues and that the risk management and internal control systems have been operating effectively.

The principal subsidiary risk committee chairs have attended regular GRC meetings, education meetings and special review meetings. The engagement facilitated the GRC's holistic review of regulatory submissions including stress tests, the Group recovery plan and the resolution self-assessment. The interactions furthered the GRC's understanding of the risk profile of the principal subsidiaries, leading to more comprehensive review and challenge by the GRC.

Collaborative oversight by the GRC and the GAC

The GRC collaborated with the GAC to address any areas of significant overlap and to oversee risk more comprehensively, through inter-committee communication and joint meetings. The GRC and GAC Chairs are members of both committees to strengthen connectivity and the flow of information between the committees.

Joint meetings with the GAC

The GRC and the GAC convened a meeting on data strategy and data management in April 2021, with the attendance and support of the Group Chief Executive and the chief executive officers of the three global businesses. The committees reviewed the Group's data strategy and the work required to embed its data policies, define its technology landscape and build a data-led culture. The committees challenged the first and second lines of defence on how they are pursuing a data-driven strategy across four key areas for the Group. In the process the committees reviewed the regulatory landscape in relation to the Group's use of data, and the roles of the first and second lines of defence as co-owners of the management of data risk. The committees also reviewed the Group's approach to harnessing and using data to better unlock value for our customers.

The GRC and the GAC convened a joint meeting in November 2021 to review HSBC's thermal coal phase-out policy and the Group's approach to climate-aligned finance. The committees reviewed the progress made to deliver on the commitment to publish a policy to phase out the financing of coal-fired power and thermal coal mining by 2030 in EU/OECD markets, and by 2040 in other markets. The committees recommended the thermal coal phase-out policy and the approach to climate-aligned finance to the Board for approval.

Sustainable control environment

The GRC continued to review and challenge the Group's internal controls to improve the control environment. The GRC reviewed entity level controls, which form the basis of HSBC's control environment, as well as the results and remediation plans of a self-assessment performed by entity level control owners. At the request of the GRC Chair, with support of the GAC Chair, the GRC received an update on the thematic analysis and remediation plans for any overdue very high risk and high risk issues identified by Global Internal Audit.

Financial risk

During 2021, the GRC and the GAC reviewed and challenged the Group's risk appetite and risk management framework relating to financial risk. In the process the committees discussed risk tolerance for financial reporting risk and financial reporting and tax risk, as well as improvement and remediation plans to enhance the broad regulatory reporting control environment.

Collaborative oversight by the GRC and the Technology Governance Working Group

The GRC worked closely with the Technology Governance Working Group to ensure appropriate alignment in the review, discussion, challenge and conclusions on technology risk-related matters. The GRC organised a technology-specific session with the working group in advance of the broader discussion at the joint GRC and GAC meeting on data strategy and data management. This ensured that the GRC benefited from the working group's expertise and challenge in advance of the GRC and GAC discussion. The GRC also arranged for the Technology Governance Working Group Co-Chairs to lead discussions on data, models and infrastructure at the GRC climate biennial exploratory scenario pre-meetings.

Coordination and collaboration between the GRC and the Technology Working Group is supported by cross-membership. The GRC Chair is a member of the Technology Working Group and the Co-Chairs of the Technology Working Group are members of the GRC.

Principal activities and significant issues considered during 2021

Areas of focus	Key issues	Conclusions and actions
Risk appetite	The Group risk appetite statement defines the Group's risk appetite and tolerance thresholds and forms the basis of the first and second lines of defence's management of risks, the Group's capacity and capabilities to support customers, and the pursuit of strategic goals.	The GRC maintained oversight of changes to the Group's risk appetite statements, which in turn provided the basis for the Committee's regular interactive review of financial and non-financial management information at each GRC meeting. The GRC continued to promote the development of more granular risk appetite statements that are more forward looking and risk responsive. The Committee continued to strengthen the linkage between risk appetite statements with the Group's corporate strategy, stress testing, annual operating plan, as well as the Group's move towards stronger, sustainably higher returns for stakeholders, so that it may serve customers well. In January 2021, the GRC recommended the Group's climate risk appetite statement to the Board for approval. It also recommended significant changes to the Group's risk appetite statement, including in the areas of liquidity risk, wholesale credit risk metrics, climate risk, model risk, resilience risk, financial crime risk and regulatory compliance.
Geopolitical developments and risks	Geopolitical developments and risks continue to present significant challenges for the Group's customer franchise and for the resilience of our operations.	The GRC continued to monitor global geopolitical risks that could impact the Group's strategy, business performance or operations, including trade tensions between the US and China and the related regulatory and reputational risks for operations globally.
Managing through the Covid-19 pandemic	Managing operational risk and counterparty credit risk to enable the Group's support of our customers, communities and the local economy throughout the Covid-19 pandemic.	The GRC continued to review the economic uncertainty stemming from the Covid-19 pandemic and the impact to the Group's own risk management and exposures, including those related to credit risk and models. The Committee received updates on the progress of economic recovery and how the Group continued to support customers and sustain operational resilience during the pandemic. The GRC closely monitored Covid-19-related lending and financial support packages, including forbearance and other support to customers following the closure of government lending schemes.
Operational resilience	Management's operational resilience programme defines the Group's policies and practices to strengthen its ability to protect customers. The programme identifies priority business services and their readiness to serve customers in the event of unforeseen disruptions in key markets.	The GRC continued its oversight of the Group's operational resilience programme with a focus on 2021 and 2022 regulatory commitments to the PRA. The GRC reviewed and challenged the remediation plans for identified gaps, relevant controls, and the business ownership model and its supporting infrastructure. The GRC worked with management, including the Group Chief Control Officer to ensure ownership and the delivery of resilience outcomes is embedded with business and function leaders in the first line of defence. The Committee encouraged early adoption of operational resilience learnings across key markets and business, as well as the effective management of third-party risk.
Technology resilience including cybersecurity and Cloud strategy	Technology resilience is the risk of unmanaged disruption to any IT system within HSBC, as a result of malicious acts, accidental actions or poor IT practice or IT system failure.	The GRC reviewed reports on the state of the Group's technology risk profile, as well as reports on cybersecurity. The GRC also maintained a strong focus on understanding the Group's data risk landscape and its data strategy and data management programme. The GRC convened a joint meeting with the Group Audit Committee in April to review and challenge the data strategy and data management programme, which had the strong support of the Group Chief Executive and the chief executives of the global businesses. The committees agreed that the Group's data strategy and data management programme should be elevated to the highest level of prominence within the Group. Further details on the joint meeting are included in the 'Joint meetings with the GAC' section on page 250.
People, conduct and culture	The Group promotes a culture that is effective in managing risk and leads to fair conduct outcomes. It seeks to actively manage the risk of not having the right people with the right skills doing the right thing, including risks associated with employment practices and relations.	The GRC monitored people risk and employee conduct, with support from the Group Chief Human Resources Officer and Group Chief Risk and Compliance Officer. The Committee considered people risk issues, including those arising from the impact of Covid-19, the link between remuneration and talent retention and acquisition, and reviewed workplace harassment data and insights. The GRC reviewed and challenged the alignment of risk and reward, and the impact of risk and compliance objectives on the Group's variable pay pool. The GRC reviewed the Group's new conduct approach, which was refreshed in 2021, to reflect prevailing regulatory and industry standards and to align with the Group's new purpose and values. The GRC monitored progress in remediating the market conduct issues underlying the 2017 Federal Reserve Bank Consent Order (which remains in force) arising from its investigation into HSBC's historical foreign exchange activities, and to ensure the reforms are effective and sustainable in the long term.
Financial crime risk	The Group is committed to closely monitoring and managing the risk of knowingly or unknowingly helping parties to commit or to further potentially illegal activity, including both internal and external fraud	The GRC continued to review the Group's approach to managing its financial crime risk across a number of important areas. These included the Group's progress in enhancing its transaction monitoring framework, the use of next generation technology, the fraud landscape (particularly against heightened Covid-19 conditions), the Group's fraud risk profile and the nature and scale of insider risk and the strategies for managing such risk. The GRC also maintained oversight of the ever-changing and increasingly complex international sanctions landscape in which the Group and its customers operate, as well as the Group's approach to managing its compliance with sanctions regimes globally.

Principal activities and significant issues considered during 2021 (continued)

Areas of focus	Key issues	Conclusions and actions
Capital and liquidity risk including ICAAP and ILAAP	The GRC oversees the Group's management of its financial risk.	The GRC reviewed the Group's ongoing capital and liquidity management activities, including early warning indicators, scenario stress testing and the Group's capital and liquidity adequacy. The GRC conducted its annual review, challenge and recommendation of the Group ICAAP and ILAAP to the Board for approval. GRC members received both an education session and previewed the ICAAP and ILAAP submissions in depth, with input from the principal subsidiary risk committee chairs. In the process the Committee evaluated the Group's capital and liquidity strategies, capabilities including progress on the Group liquidity remediation programme and internal liquidity metric.
Credit risk	HSBC faces risk from the possibility of losses resulting from the failure of a counterparty to meet its agreed obligations to pay the Group	The Committee reviewed updates from management on the strategy and approach to manage credit risk and credit risk capabilities. The Committee reviewed forward economic scenarios and received quarterly updates on the Group's expected credit losses and provisions, loan impairment charges and the credit risk arising from the wholesale portfolio and mortgage books. The GRC also reviewed the potential impact for the Group from external and secondary market events and recommended a management-led comprehensive review of the learnings and actions to be taken to drive a stronger credit risk culture.
Climate risk	Successful delivery of our climate ambition will be determined by our ability to measure and manage all components of climate risk.	The GRC remained focused on climate risk, reviewed quarterly reports on climate risk management, and maintained oversight over delivery plans to ensure the Group develops robust climate risk management capabilities. The GRC reviewed the Group's approach to climate risk appetite. The GRC approved the Group's climate biennial exploratory scenario stress test submission to the PRA. In preparation, the GRC reviewed the scenario and convened an education session. The GRC challenged management on the results of the submission during three preparatory meetings on the key risks of climate change. During the sessions the GRC reviewed the engagement with clients, their transition plans and the importance of advancing risk appetite and management actions; the challenges in relation to data, modelling and infrastructure support; and the impact of climate change on our physical risks including through our residential and corporate real estate mortgage books. The GRC also reviewed new business and lending opportunities for our Wealth and Personal Banking business to support customers. The GRC and the GAC convened a joint meeting in November to review HSBC's thermal coal phase-out policy and the Group's approach to climate-aligned finance and recommended the thermal coal phase-out policy and approach to climate-aligned finance to the Board for approval. Further details on the joint meeting are included in the 'Joint meetings with the GAC' section on page 250.
Model risk	HSBC faces risk from the inappropriate or incorrect business decisions arising from the use of models that have been inadequately designed, implemented or used, or from models that do not perform in line with expectations and predictions.	The GRC continued to receive ongoing updates on the Group's progress in managing model risk through the Group Chief Risk and Compliance Officer's Group risk profile report and from the second line of defence. In January 2021, the Committee received an update on a number of material post-model adjustments to the Group's wholesale portfolio, and on alternative modelling concepts being considered to recalibrate the idiosyncratic economic effects of the pandemic not captured by models. The update to the Committee in May 2021 reported on model risk deliverables against external review findings, improvements to enhance first line of defence engagement in the model lifecycle, and progress made to transform the model risk management function and implementation of new global model risk policy and standards.
Stress testing	HSBC performs internal and regulatory stress tests to measure the Group's resilience and performance against stress.	The GRC reviewed and approved the outcomes of the initial submission of the impairments and RWA impact to the Bank of England's solvency stress test in April 2021 and subsequently the final outcomes of the 2021 solvency stress test scenarios in May 2021. In advance of the review, the Committee convened a preview meeting with the principal subsidiary risk committee chairs to review the solvency stress test submissions and the key learnings for the principal subsidiaries, including early identification of adjustments that might strengthen resilience in advance of a stress event. The Committee also undertook significant review and challenge of the Group's 2021 GRC climate biennial exploratory analysis and approved the submissions to the PRA. The GRC undertook a technical review of the 2021 Group internal stress test outcomes at a GRC Chair's preview meeting, which was followed by formal review and approval at the January 2021 GRC meeting. In the lead-up to the 2022 financial resource plan, the GRC reviewed and endorsed the economic scenarios underpinning the financial resource plan and Group internal stress test in July 2021. The GRC subsequently reviewed, challenged and approved the final Group internal stress test results in December 2021. The GRC also reviewed the implications of the results of the Federal Reserve's Comprehensive Capital Analysis and Review severely adverse scenario stress test resubmission in relation to HSBC North America Holdings, and considered action being progressed by management in response.

Principal activities and significant issues considered during 2021 (continued)

Areas of focus	Key issues	Conclusions and actions
Recovery and resolvability	HSBC is required to show how its resolution strategy could be carried out in an orderly way, including identification of any risks to successful resolution.	The GRC continued its oversight of the Group's progress in understanding its capabilities against the Bank of England's requirements for recovery and resolvability. The GRC reviewed and challenged the governance pathway for the 2021 Group recovery plan, including review of the recovery indicator framework and a special session to consider the key messages, the recovery playbook and strategic management actions. In advance of review by the Committee the GRC Chair met with senior management to consider the Group recovery plan, including principal subsidiary risk committee components. The GRC was also heavily involved in the governance of the resolvability assessment framework, with updates on the valuation in resolution requirements, and the Group's resolvability self-assessment and resolvability assessment framework testing approach. The GRC reviewed and recommended the resolvability assessment framework self-assessment to the Board for approval. The Board meeting was preceded by four Board sub-Group preview meetings jointly sponsored by the GRC and GAC Chairs to examine the Group's submission.

Committee evaluation

During 2021, the GRC implemented the recommendations of the internal committee evaluation conducted by the Group Company Secretary and Chief Governance Officer in November 2020. This included strengthening the focus of meeting agendas, and further increasing the GRC's engagement with the Risk and Compliance functions and principal subsidiary risk committee chairs.

Continuing the commitment to regular evaluation, the Group Company Secretary and Chief Governance Officer performed an annual review of the effectiveness of the GRC in December 2021. The evaluation concluded that the GRC continued to operate effectively and in line with regulatory requirements, and identified enhancements, including a review of GRC composition, to help strengthen the GRC's ability to effectively review and challenge the Group's risk profile. Other recommendations included: strengthening the focus of agendas with an ongoing emphasis on emerging risks; continued enhancement to papers and presentations; optimising the use of member time spent outside of formal governance; and even stronger coordination of the roles of the Board committees. As with the GAC, succession planning will also remain a priority. The outcomes of the evaluation have been reported to the Board, and the GRC will track the progress in implementing recommendations during 2022.

Focus of future activities

The GRC's focus for 2022 will include the following activities. It will:

- oversee the continued strengthening of the Group's risk appetite and risk management framework;
- continue to review the Group's work to enhance its credit risk capabilities and culture;
- continue to oversee financial crime and fraud;
- oversee the delivery against climate change commitments and enhancing climate risk capabilities;
- continue the oversight of the delivery of technology-related programmes including the adoption of Cloud platforms, and enhancement of the Group's IT systems/platform; and
- oversee key regulatory actions, including the implementation of the Group's operational resilience strategy on a global basis, recovery and resolution, and stress testing submissions and capabilities.

Directors' remuneration report

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All disclosures in the Directors' remuneration report are unaudited unless otherwise stated. Disclosures marked as audited should be considered audited in the context of financial statements taken as a whole.

'The remuneration outcomes for 2021 reflect the improvement in the Group's financial performance, our strong cost controls and execution of our strategy at pace.'

Dear shareholder

I am pleased to present our 2021 Directors' remuneration report on behalf of the members of the Group Remuneration Committee.

During 2021 the Group's financial performance improved against a backdrop of continuing challenging circumstances, including the emergence of new Covid-19 variants and ongoing low interest rates. We continued to execute our strategy at pace. The decisions the Committee has taken reflect the improvement in the Group's performance and progress towards its strategic targets. I have summarised our decisions in this statement.

At the 2022 Annual General Meeting ('AGM'), we will be seeking shareholder approval for a renewed Directors' remuneration policy. Our current policy received 97% of votes cast in favour at our 2019 AGM and its implementation received strong support with more than 96% of votes cast in favour in both 2020 and 2021. The Committee reviewed the remuneration policy, considering carefully whether it provides a fair and competitive remuneration opportunity to incentivise long-term performance. We also noted that the UK regulatory requirements currently restrict us from using a structure with a greater focus on variable pay and lower fixed pay.

Based on this review, engagement with our largest shareholders, and the premise that the policy, within our regulatory framework, supports the execution of our strategy, we have decided to roll forward our current policy with no changes to the fixed or variable pay structure and approach.

Membership

	Member since	Meeting attendance in 2021
Pauline van der Meer Mohr (Chair)	Jan 2016	6/6
Rachel Duan	Sept 2021	2/2
Dame Carolyn Fairbairn	Sept 2021	2/2
James Forese	May 2020	6/6
José Antonio Meade Kuribreña	May 2021	4/4
Henri de Castries[1]	May 2017	2/3
Irene Lee[1]	Apr 2018	3/3
David Nish[1]	May 2017	2/2

1 *David Nish stepped down from the Committee on 23 February 2021; Henri de Castries and Irene Lee stepped down from the Committee on 28 May 2021.*

Performance in 2021

Financial performance

The Group's financial performance improved in 2021 and all regions were profitable. Reported profit before tax of $18.9bn was up $10.1bn from 2020. Adjusted profit before tax of $21.9bn was up $9.6bn, with net ECL releases more than offsetting the impact of lower revenue, which reflected continuing external pressures during 2021. We continued to demonstrate strong cost control. Despite inflationary pressures and continued investment in technology, our adjusted costs were $32.1bn. Our return on tangible equity ('RoTE') improved from 3.1% in 2020 to 8.3%. We also achieved a $104bn RWA reduction in legacy assets and low-return areas and we have now achieved 95% of the $110bn reduction targeted by the end of 2022. We were able to restart our dividend payments to shareholders and we remain well placed to fund growth and step up capital returns.

Workforce pay

Support for our colleagues

The well-being of our people remained a critical focus, specifically as the operating environment continued to be challenging for many colleagues and their families. The pandemic, which remains a presence in all of our lives, continued to impact our customers, colleagues and communities and we have continued to provide support to our colleagues.

While we have sustained our employee engagement scores, which remain above pre-pandemic levels, we are monitoring carefully the well-being of our people. Our survey results showed that overall well-being has remained stable with 82% of our colleagues reporting positive mental health. We are moving to a hybrid working model wherever possible, giving people the flexibility to work in a way that balances the needs of our customers, their teams and their personal preferences.

To help people to develop skills for the changing world around us, we launched Future Skills in September 2021, supporting colleagues to explore new personal, digital, data and sustainability skills through a series of learning activities and events.

Group variable pay pool

2021 was characterised by a sharp economic rebound and an extraordinarily competitive labour market. Our financial performance was strong, and it is critical for our long-term performance that we continue to attract and retain the talent necessary to deliver our strategic priorities. As a Committee, we reflected on this throughout the year, and particularly when we reviewed and agreed the Group variable pay pool of $3,495m, a year-on-year increase of 31%.

In deciding the Group variable pay pool, we reviewed performance against financial and non-financial metrics set out in the Group risk framework, including conduct. We took into account the improvement in the Group's financial performance with adjusted profit before tax up 79%, our strong capital position, the reinstatement of dividends and the capital return to shareholders through the up to $2bn buy-back announced in October 2021. Subsequently, the Group has announced that it intends to initiate a further up to $1bn share buy-back, to commence after the existing buy-back has concluded. We also took into account the operating environment and the challenges created by a very competitive market for talent manifesting through higher than normal voluntary attrition rates.

The pool was determined in line with our countercyclical funding methodology, whereby variable pay as a percentage of profits generally reduces as performance increase. In 2020, the variable pay pool was reduced by 20% when the adjusted profit before tax was down 45% to recognise the need to remain competitive in retaining talent even in challenging circumstances. In 2021, our countercyclical approach meant that while the adjusted profit before tax was up 79%, the pool increased by 31%.

As part of the year-end pay review, the Committee considered the remuneration outcomes. Overall, total compensation across all our businesses was up relative to 2020. For our junior colleagues, the increase is slightly lower, as their outcomes last year were broadly stable in order to protect their outcomes against material year-on-year volatility. Outcomes correlated well with performance and behaviours, with the largest increase in variable pay for those who performed most strongly and who acted as role models for our values. Fixed pay increases were targeted towards junior colleagues to help address the impact of rising inflation in many of our locations. The outcomes were in line with our pay principles and the approach decided by the Committee for 2021.

Key remuneration decisions for Directors

Executive Directors' annual performance assessment

The financial measures in the executive Directors' 2021 scorecards were growing revenue in Asia, meeting the Group's adjusted cost target and our strategic priority of reducing RWAs in legacy assets and low-return areas. Strategic performance measures were customer satisfaction, employee engagement and diversity and personal objectives aligned with delivery of our strategy.

Overall, the Committee considered the executive Directors delivered a strong performance. The adjusted cost performance was above the minimum set for the year. As noted earlier, strong performance in RWA reduction, with 95% of our end-2022 target already achieved, led to a maximum payout against the RWA performance metrics. We did not meet the target for revenue growth in Asia, primarily due to the impact of low interest rates on certain business lines.

We also made good progress on strategic measures, by improving customer satisfaction, maintaining the high level of employee engagement from 2020, exceeding our gender representation target in senior leadership roles and executing our strategy at pace (see page 268 for details).

Executive Directors' annual incentive scorecard outcome

This resulted in an overall annual incentive outcome of 57.30% for Noel Quinn and 60.43% for Ewen Stevenson (further details are provided on page 262). These are slightly below the 2020 scorecard outcomes and results in an annual incentive award of £1.59m for Noel Quinn (2020: £1.60m before voluntarily waiver of cash bonus) and £0.98m for Ewen Stevenson (2020: £0.90m before voluntary waiver of cash bonus).

Long-term incentive ('LTI') for executive Directors

Noel Quinn and Ewen Stevenson will receive LTI awards of £4.13m and £2.41m respectively, in respect of their performance for 2021 and subject to a three-year forward-looking performance period from 1 January 2022 to 31 December 2024. The Committee decided to retain the RoTE, relative total shareholder return ('TSR'), capital reallocation to Asia and transition to net zero measures in the LTI scorecard given their strong alignment with the Group's strategy. Details of the measures and targets are set out on page 271.

Executive Directors' fixed pay for 2022

We have increased the base salary of our executive Directors by 3.5%, effective from 1 March 2022. The Committee considered the increase was necessary to ensure that the total remuneration opportunity of our executive Directors does not fall further behind desired levels based on the size, complexity and international peer group of the Group. This was discussed with shareholders during our engagement with them on the new Directors' remuneration policy. The increase is in line with the average salary increase for our wider workforce.

New Directors' remuneration policy

We are proposing to roll forward our current remuneration policy for shareholder approval at the 2022 AGM. During the year, we undertook a review of the policy based on the key principles that it should be easy to understand, align reward with stakeholder interests, incentivise long-term performance, be competitive and meet expectations of investors and regulators.

As part of the review, the Committee considered whether the current policy provides a remuneration opportunity that is appropriate given the size and complexity of the Group's operations and is commensurate with its aim of fairly remunerating executives for delivering its strategic priorities. The review clearly demonstrated that over time, HSBC's overall remuneration opportunity has fallen significantly behind desired levels to reflect the calibre of the executives and positioning against international peers. The Committee also noted that the UK regulatory requirements currently restrict us from using a remuneration structure with a greater focus on variable pay for performance, which is typically used by our international peers.

We engaged with our shareholders to take into account their views on our policy and remuneration structure. As ever, we found engagement with our shareholders to be very helpful and we were pleased with the level of feedback and support received. Noting the strong support from shareholders for our current policy and on the basis that it supports the execution of our strategy within our regulatory framework, we are proposing to roll forward our current policy for shareholders' approval at the 2022 AGM. We will keep the issue on appropriate positioning of our executive Directors' total remuneration opportunity under review for the duration of the policy. Further details of the remuneration policy and how each element supports the Group's strategy are set out on page 257.

On behalf of the Committee I would like to thank our shareholders for their engagement and feedback. The Committee looks forward to maintaining an open and transparent dialogue in 2022.

Our annual report on remuneration

The section on Directors' remuneration policy provides an overview of our remuneration policy for our Directors, for which we are seeking shareholder approval at the 2022 AGM.

In the annual report section, we provide details of decisions made for executive Directors in respect of their 2021 remuneration for which, along with this statement, we will seek shareholder approval with an advisory vote at the 2022 AGM.

We also provide details of our remuneration framework for our Group colleagues. In the additional remuneration disclosure section of this report, we provide other related disclosures.

As Chair of the Committee, I hope you will support our remuneration policy and the 2021 Directors' remuneration report.

Finally, as announced in January, I will step down as Chair of this Committee and from the Board at the conclusion of the 2022 AGM. An update on my successor will be announced in due course.

Pauline van der Meer Mohr

Chair

Group Remuneration Committee

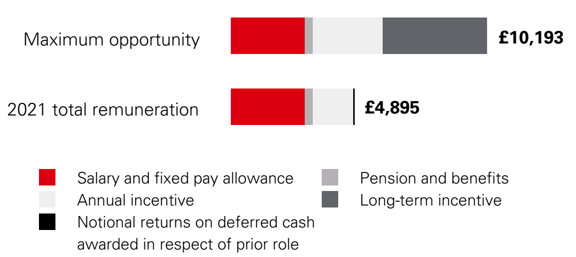
22 February 2022

Summary 2021 remuneration outcomes for executive Directors

An overview of the 2021 remuneration outcomes and the release profile of remuneration for executive Directors is set out below. Further details are available on page 268.

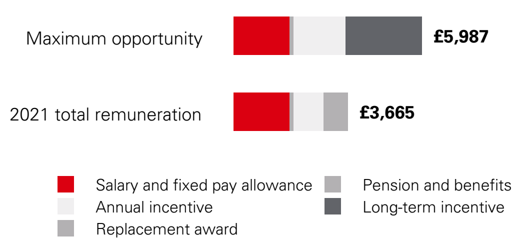
Noel Quinn

Total remuneration (£000)

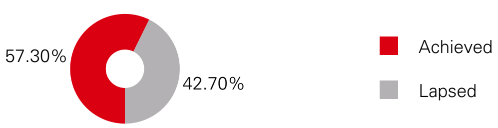


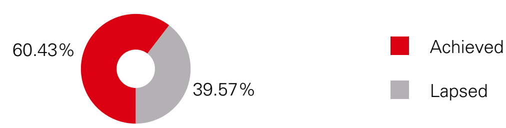
Ewen Stevenson

Total remuneration (£000)



Annual incentive outcome





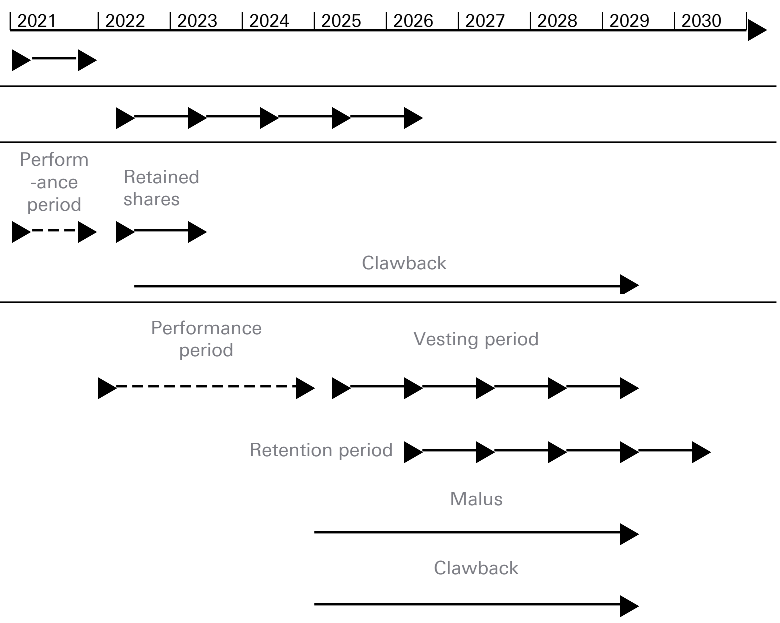
Shareholding (% of salary)[1]

1 *Executive Directors are expected to meet their shareholding guidelines within five years of the date of their appointment. Noel Quinn and Ewen Stevenson were appointed on 5 August 2019 and 1 January 2019 respectively.*

Illustration of release profile

The following chart provides an illustrative release profile of the remuneration awarded for executive Directors in respect of 2021.

Salary and benefits	• Received during 2021.
Fixed pay allowance	• Released in five equal annual instalments starting from March 2022.
Annual incentive	• Paid 50% in cash and 50% in immediately vested shares subject to a retention period of one year. • Subject to clawback provisions for seven years from grant, which may be extended to 10 years in the event of an ongoing internal/regulatory investigation.
Long-term incentive	• Award granted taking into consideration performance over the prior year and subject to three-year forward-looking performance conditions. • Subject to performance outcome, awards will vest in five equal annual instalments starting from the third anniversary of the grant date. • On vesting, shares are subject to a retention period of one year. • Unvested awards subject to malus provisions. • Subject to clawback provisions for seven years from grant, which may be extended to 10 years in the event of an ongoing internal/regulatory investigation.



Directors’ remuneration policy

This section sets outs the Directors' remuneration policy proposed for shareholders' approval at the AGM on 29 April 2022. We have made no changes to the remuneration structure or to the maximum opportunity payable for each element of remuneration and are seeking to roll forward our current policy. Minor changes have been made to provide the Committee with sufficient flexibility to implement the policy as intended over its term. Subject to receiving shareholder approval, the policy is intended to apply immediately for three years to the end of the AGM in 2025, although we may seek shareholders' approval for a new policy during the period depending on regulatory developments, changes to our strategy or competitive pressures.

Remuneration policy – key principles

The Committee is responsible for reviewing and recommending to the Board the Directors' remuneration policy to be put forward for approval by shareholders.

The guiding principles that form the basis of our review of the remuneration policy for Directors are as follows:

- The rationale and operation of the policy should be easy to understand and transparent.
- There should be a strong alignment between reward and the interests of our stakeholders, including shareholders, customers and employees.
- The policy should maintain a focus on long-term performance.
- The total compensation package should be competitive to ensure we can retain and attract talent to deliver our strategic priorities.
- The structure should meet the expectations of investors and our regulators.

Setting the policy

The Committee undertook a detailed review of the Group's remuneration policy during 2021 to assess whether it continues to be appropriate based on the size and complexity of its operations, investor feedback, best practice and market developments. Input was received from the Group Chairman and management while ensuring that conflicts of interest were suitably mitigated. Input was also provided by the Committee’s appointed independent advisers throughout the process.

As highlighted in the 2020 Directors' remuneration report, the Committee – while conscious of external sentiment – planned to focus the review on whether overall remuneration levels remain appropriate and support the delivery of our strategic priorities.

The Committee has become increasingly concerned that, over time, the remuneration opportunity of our executive Directors has fallen behind desired levels to reflect their calibre and positioning against our international peers. This is supported by benchmarked data for comparable roles in organisations similar in size, geographical presence and with whom we compete for talent.

The Committee noted that UK regulatory requirements restrict us from using a remuneration structure with a greater focus on variable pay for performance, which is typically used by our international peers. Our preference would be to use such a structure to improve the total compensation opportunity of our executive Directors. This view was supported by a number of our shareholders, who also expressed a preference for a structure with lower fixed pay and higher variable pay opportunity, but understood that UK regulatory rules impact our ability to use such a structure.

The Committee also noted that our current policy and its implementation have received strong support from shareholders over the last few years. This was reaffirmed during our engagement with shareholders on the new policy.

Based on the review and taking into account the feedback received during our discussions with shareholders, we are proposing to roll forward our current policy for shareholders’ approval at the 2022 AGM. We will keep the issues on appropriate positioning of our executive Directors' total remuneration opportunity under review throughout the duration of the policy.

Other matters considered as part of policy review

We also reviewed the remuneration structure, fixed and variable pay mix, the deferral and post-vesting retention periods and our shareholding guidelines to ensure there is strong alignment between reward and interests of our stakeholders. We also considered whether a formal post-employment shareholding policy should be introduced. For this purpose, the Committee took into consideration the following features of our existing policy:

- Shares delivered to executive Directors as part of the fixed pay allowance ('FPA') have a five-year retention period, which continues to apply following a departure of an executive Director.
- Shares delivered as part of an annual incentive award are subject to a one-year retention period, which continues to apply following a departure of an executive Director.
- LTI awards have a seven-year vesting period with a one-year post-vesting retention period, which is not accelerated on departure. The weighted average holding period of an LTI award within HSBC is therefore six years, in excess of the five-year holding period typically implemented by FTSE-listed companies. When an executive Director ceases employment, if they are treated as a good leaver under our policy, any LTI awards granted will continue to be released over a period of up to eight years, subject to the outcome of performance conditions.

Reflecting on the above, and the in-employment shareholding requirement of up to 400% of salary for executive Directors, we agreed our existing policy structure achieves the objective of ensuring there is ongoing alignment of executive Directors' interests with shareholder experience post-cessation of their employment. We discussed this with major shareholders during our consultation on the new policy.

Remuneration policy – executive Directors

Fixed pay

Elements	Details
Base salary	To attract, retain and develop key talent by being market competitive and rewarding ongoing contribution to role.
Operation	The base salary for an executive Director is designed to reflect the individual's role, experience and responsibility. Base salaries are normally benchmarked on an annual basis against relevant comparator groups and may be reviewed more frequently at the discretion of the Committee. The Committee reviews and approves changes, taking into consideration factors such as scope of the role, local requirements, employee increases and market competitiveness.
Maximum opportunity	In normal circumstances, the base salary for the current executive Directors will not increase by more than 15% above the level at the start of the policy period in total for the duration of this policy. The Committee may determine larger increases in exceptional circumstances, such as a change in responsibility, where the overall remuneration opportunity has been set lower than the market and when it is justified based on skills, experience and performance in the role.
Fixed pay allowance ('FPA')	To deliver a level of fixed pay required to reflect the role, skills and experience of the executive Directors and to maintain a competitive total remuneration package for executive Directors.
Operation	FPAs are non-pensionable and will normally be granted in three instalments of immediately vested shares per year, or at any other frequency that the Committee deems appropriate. Shares equivalent to the net number of shares delivered (after those sold to cover any income tax and social security) will be subject to a retention period and normally released on a pro-rata basis over five years, starting from the March immediately following the end of the financial year in respect of which the shares are granted. Dividends will be paid on the vested shares held during the retention period. The Committee retains the discretion to amend the retention period and/or pay the FPA in cash if required to do so to meet any regulatory requirements or for any other reason the Committee deems appropriate.
Maximum opportunity	FPAs are determined based on the role, skills and responsibility of each individual and taking into account factors such as market competitiveness of the total remuneration opportunity and other elements of remuneration set out in this policy. Other than in exceptional circumstances, the FPA for the duration of this policy will be capped at 150% of base salary levels at the start of this policy.
Cash in lieu of pension	To help executive Directors build retirement savings
Operation	Directors receive a cash allowance in lieu of a pension entitlement.
Maximum opportunity	The maximum opportunity will be aligned with the maximum contribution rate that HSBC could make for the majority of employees in the relevant jurisdiction. This is currently set at 10% of base salary in line with the maximum contribution rate, as a percentage of salary, that HSBC could make for a majority of employees who are defined contribution members of the HSBC Bank (UK) pension scheme in the UK.

Benefits and all employee share plans

Elements	Details
Benefits	To provide support for physical, mental and financial health in accordance with local market practice.
Operation	Benefits take account of local market practice and include, but are not restricted to: • taxable benefits (gross value before payment of tax) including provision of medical insurance, accommodation, car, club membership, independent legal advice in relation to a matter arising out of the performance of employment duties for HSBC, tax return assistance or preparation, and travel assistance (including any associated tax due, where applicable); and • non-taxable benefits including the provision of a health assessment, life assurance and other insurance coverage. The Group Chief Executive is also eligible to be provided with accommodation and car benefits in Hong Kong. Any tax and/or social security due on these benefits will be paid by HSBC. Additional benefits may also be provided when an executive is relocated or spends a substantial proportion of their time in more than one jurisdiction for business needs, or in such other circumstances as the Committee may determine in its discretion. Such benefits could include, but are not restricted to, airfare, accommodation, shipment, storage, utilities, and any tax and social security that may be due in respect of such benefits.
Maximum opportunity	The maximum opportunity is determined by the nature of the benefit provided. The benefit amount will be disclosed in the single figure of remuneration table for the relevant year.
All employee share plans	To promote share ownership by all employees.
Operation	Executive Directors are entitled to participate in all employee share plans, such as the HSBC Sharesave, on the same basis as all other employees. Under the Sharesave, executive Directors can make monthly savings over a period of three or five years towards the grant of an option over HSBC shares. The option price can be at a discount, currently up to 20%, on the share price at the time that the option is granted.
Maximum opportunity	The maximum number of options is determined by the maximum savings limit set by HM Revenue and Customs. This is currently £500 per month.

Variable pay

Adhering to the values-aligned behaviours is a prerequisite to be considered for any variable pay. Executive Directors receive a performance and behaviour rating that is considered by the Committee in determining the variable pay awards.

Elements	Details
Annual incentive	To drive and reward performance against annual financial and non-financial objectives that are consistent with the strategy and align to shareholder interests.
Operation	Annual incentive awards are discretionary and can be delivered in any combination of cash and shares under the HSBC Share Plan 2011 ('HSBC Share Plan'). Shares will not represent less than 50% of any award and are normally immediately vested. On vesting, shares equivalent to the net number of shares that vested (after those sold to cover any income tax and social security payable) must be held for a retention period up to one year, or such other period as required by regulators. The awards will be subject to clawback (i.e. repayment or recoupment of paid/vested awards) on or after vesting for a period of seven years from the date of award. This may be extended to 10 years in the event of an ongoing internal/regulatory investigation at the end of the seven-year period. Details of the clawback provision are set out in the following section on LTI awards. The Committee retains the discretion to: • apply a longer retention period; • increase the proportion of the award to be delivered in shares; and • defer the vesting of a portion of the awards, subject to such conditions that the Committee may determine at its discretion (which may include continued employment). The deferred awards will be subject to malus (i.e. reduction and/or cancellation of unvested awards) provisions during any applicable deferral period. Any deferred shares may be entitled to dividend equivalents during the vesting period, which will be paid on vesting. Where awards do not receive dividend equivalents during the vesting period (to meet regulatory requirements), the number of shares to be awarded will be determined using a share price discounted for the expected dividend yield. Any deferred cash award may be entitled to notional returns during the deferral period, or any appropriate adjustment to reflect such notional returns, as determined by the Committee. The Committee may adjust and amend awards in accordance with the relevant plan rules.
Maximum opportunity	The maximum opportunity for the annual incentive award, in respect of a financial year, is up to 215% of base salary.
Performance metrics	Performance is measured against an annual scorecard, based on targets set for financial and non-financial measures. The scorecards may vary by individual. Measures with financial targets will generally have a weighting of 60% for the Group Chief Executive and 50% for the Group Chief Financial Officer. The Committee will review the scorecard annually and may vary the measures, weighting and targets each year. The overall payout of the annual incentive could be between 0% (for below threshold performance) and 100% of the maximum. At threshold level of performance set in the scorecard for each measure, 25% of the award opportunity for that measure will pay out. An achievement of maximum performance set in the scorecard means a payout of 100% of the award. The Committee exercises its judgement to determine performance achieved and awards at the end of the performance period, which in normal circumstances will be one financial year, to ensure that the outcome is fair in the context of overall Group and individual performance. The Committee can adjust the payout based on the outcome of the performance measures, if it considers that the payout determined does not appropriately reflect the overall position and performance of the Group for the relevant performance period. The scorecard outcome may also be subject to a risk and compliance modifier and/or a capital underpin under which the Committee will have the discretion to adjust down the overall scorecard outcome, taking into account performance against those factors. The Committee has the discretion to: • change the overall weighting of the financial and non-financial measures; • vary the measures and their respective weightings within each category. The specific performance measures will be disclosed in the 'annual report on remuneration' for the relevant year; and • make adjustments to performance targets, measures, weighting and/or outcomes in exceptional circumstances. This may be to reflect significant one-off items that occur during the measurement period and/or where the Committee determines that original measures, targets or conditions are no longer appropriate or that amendment is required so that the measures, targets or conditions achieve their original purpose. Full and clear disclosure of any such adjustments will be made in the 'annual report on remuneration' for the relevant year, subject to commercial confidentiality.

Elements	Details
Long-term incentives ('LTI')	To incentivise sustainable long-term performance and alignment with shareholder interests.
Operation	LTI awards are discretionary and are granted if the Committee considers that there has been satisfactory performance over the prior year. The awards are granted as rights to receive shares under the HSBC Share Plan, normally subject to a forward-looking three-year performance period from the start of the financial year in which the awards are granted. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. These shares will then normally vest in five equal instalments, with the first vesting on or around the third anniversary of the grant date and the last instalment vesting on or around the seventh anniversary of the grant date, in accordance with the UK's Prudential Regulation Authority's ('PRA') remuneration rules. On each vesting, shares equivalent to the net number of shares that vested (after those sold to cover any income tax and social security payable) must be held for a retention period up to one year (or such other period as required by regulators). Awards are subject to malus provisions prior to vesting. The awards will also be subject to clawback on or after vesting for a period of seven years from the date of award. This may be extended to 10 years in the event of an ongoing internal/regulatory investigation at the end of the seven-year period. Details of the malus and clawback provisions are set out in the bottom section of this table. Awards may be entitled to dividend equivalents during the vesting period, which will be paid on vesting. Where awards do not receive dividend equivalents during the vesting period (to meet regulatory requirements), the number of shares to be awarded will be determined using a share price discounted for the expected dividend yield. The Committee may adjust or amend awards in accordance with the rules of the HSBC Share Plan.
Maximum opportunity	The maximum opportunity for the LTI award, in respect of a financial year, is up to 320% of base salary.
Performance metrics	The Committee will take into consideration prior performance when assessing the value of the LTI grant. Forward-looking performance is measured against a long-term scorecard. Financial measures will generally have a weighting of 60% or more. For each measure, the Committee will determine the extent of achievement based on actual performance against the target set and other relevant factors that the Committee considers appropriate to take account of in order to better reflect the Group's underlying performance. The overall payout level could be between 0% (for below threshold performance) and 100% of the maximum. At threshold level of performance set in the scorecard for each measure, 25% of the award opportunity for that measure will vest. 100% of the award will vest for achieving the maximum level of performance set for each measure. Where performance achieved is between the threshold, target and maximum level of performance set in the scorecard, the number of awards that will vest will be determined on a straight-line basis. The Committee can adjust the LTI payout based on the outcome of the performance measures, if it considers that the payout determined does not appropriately reflect the overall position and performance of the Group during the performance period. The scorecard outcome may also be subject to a risk and compliance modifier and/or a capital underpin under which the Committee will have the discretion to adjust down the overall scorecard outcome, taking into account performance against those factors. Performance targets will normally be set annually for each three-year cycle. The Committee has the discretion to: • change the overall weighting of the financial and non-financial measures; • vary the measures and their respective weightings within each category. The specific performance measures will be disclosed in the 'annual report on remuneration' for the relevant year; • vary the risk and compliance and/or any underpin measures; and • make adjustments to performance targets, measures, weighting and/or outcomes in exceptional circumstances. This may be to reflect significant one-off items that occur during the measurement period and/or where the Committee determines that original measures, targets or conditions are no longer appropriate or that an amendment is required so that the measures, targets or conditions achieve their original purpose. Revised targets/measures will be, in the opinion of the Committee, no less difficult to satisfy had they been set at the same time as the original targets. Full and clear disclosure of any such adjustments will be made within the 'annual report on remuneration' for the relevant year, subject to commercial confidentiality.
Malus and clawback (applicable to both annual incentive and LTI)	The Committee has the discretion to operate malus and clawback provisions. Malus can be applied to unvested awards in circumstances including: • 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 can be applied to vested or paid awards for a period of seven years from the grant date. This may be extended to 10 years in the event of ongoing internal/regulatory investigation at the end of the seven-year period. Clawback may be applied in circumstances including: • 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; • a material failure of risk management suffered by HSBC or a business unit in the context of Group risk management standards, policies and procedures; and • any other circumstances required by local regulatory obligations to which any member of the HSBC Group or its subsidiary is subject.

Other

Elements	Details
Shareholding guidelines	To ensure appropriate alignment with the interest of our shareholders.
Operation	Executive Directors are expected to satisfy the following shareholding requirement as a percentage of base salary within five years from the date of their appointment: • Group Chief Executive: 400% • Group Chief Financial Officer: 300% For this purpose, unvested shares which are not subject to forward-looking performance conditions (on a net of tax basis) will count towards the shareholding requirement. HSBC operates an anti-hedging policy under which individuals are not permitted to enter into any personal hedging strategies in relation to HSBC shares subject to a vesting and/or retention period.
Maximum opportunity	Not applicable.

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed:

- before the policy set out above or any previous policy came into effect;
- at a time where a previous policy, approved by shareholders, was in place provided the payment is in line with the terms of that policy; or
- at a time when the relevant individual was not a Director of the Group and the payment was not in consideration for the individual becoming a Director of the Group.

For these purposes, payments include the Committee satisfying awards of variable remuneration. This means making payments in line with the terms that were agreed at the time the award was granted.

In addition to the specific discretions expressly set out in the policy, the incentive plans include a number of operational discretions available to the Committee, including:

- the right to grant awards in the form of conditional share awards or options (including nil-cost options);
- the right to amend a performance condition in accordance with its terms, or if anything happens that causes the Committee to consider it appropriate to do so;
- the right to settle the award in cash, based on the relevant share price, or shares as appropriate; and
- the right to adjust the award on a variation of share capital or other corporate event that affects the current or future value of the award, or alternatively, the right to vest the award early in such circumstances.

Choice of performance measures and targets

The performance measures selected for the annual incentive and LTI awards will be set on an annual basis by the Committee, taking into account the Group's strategic priorities and any feedback received from our shareholders. The following table sets out the performance measures we currently consider for inclusion in our scorecards. The Committee retains the discretion to choose other measures that are considered to be appropriate for achieving our strategic priorities and meeting any regulatory expectation.

The targets for the performance measures will be set taking into account a number of factors, including the targets set in our financial and resource plan, our strategic priorities, shareholder expectations, the economic environment and risk appetite.

Performance measures

Measures and modifier/ underpin	Example measures for annual incentive scorecard	Example measures for LTI scorecard	Rationale
Financial measures	• Adjusted profit before tax • Operating profit • RoTE • Revenue growth • Volume growth • Adjusted costs	• RoTE • Total shareholder return • Underpin to maintain a minimum CET1 ratio	Measures are selected to incentivise the achievement of our financial targets as set out in our strategic priorities and financial and resource plan.
Strategic measures	• Customer satisfaction • Employee engagement • Succession planning and diversity • Carbon reduction and sustainable finance	• Reduce carbon emissions • Sustainable finance • Capital reallocation to areas of strategic focus	Measures are selected to support the delivery of our strategic priorities.
Risk and compliance measures, modifier and/ or underpin	• Sustained delivery of global conduct outcomes • Effective financial crime risk management • Effective management of material operational risks in support of strategic priorities • Risk metrics to identify when business activities are outside of tolerance level for a significant period of time • Failures in risk management that have resulted in significant customer detriment, reputational damage and/or regulatory censure. • CET1 level	• Modifier linked to risk and compliance performance	Measures are chosen to ensure a high level of accountability of risk and conduct, to promote an effective risk management environment and to embed a robust governance system.

Approach to recruitment remuneration – executive Directors

On the recruitment or appointment of a new executive Director, the Committee would adhere to the following principles:

- Remuneration packages should be in line with the approved policy for executive Directors.
- Remuneration packages must meet any applicable local regulatory requirements.
- Where necessary, compensation may be provided in respect of forfeiture of awards from an existing employer (for example, buy-out awards).

Outlined in the following table are all components that would be considered for inclusion in the remuneration package of a new executive Director appointment and, for each, the approach that would be adopted.

In the case of an internal appointment, any existing commitments will be honoured and any variable element awarded in respect of the prior role will be allowed to be paid out according to its existing terms.

Components of remuneration package of a new executive Director

Component	Approach taken to each component of remuneration
Fixed pay	The base salary and FPA will reflect the individual's role, experience and responsibility, and will be set in the context of market practice. The maximum cash in lieu of pension allowance will be no more than the maximum contribution, as a percentage of salary, that can be made for the majority of employees in the relevant jurisdiction.
Benefits	Benefits to be provided will be dependent on circumstances while in line with Group policy and the remuneration policy table, including the global mobility policy (where applicable) and local regulations.
Variable pay awards	New appointments will be eligible to be considered for variable pay awards consisting of an annual incentive and/or LTI award (or any other element which the Committee considers appropriate given the particular circumstances but not exceeding the maximum level of variable remuneration set out below). For the year in which the individual commences providing services as an executive Director, the Committee retains the discretion to determine the proportion of variable pay to be deferred, the deferral and retention period, whether any performance and/or continued employment conditions should be applied, and the period over which such performance should be assessed. In exercising this discretion, the Committee will take into account the circumstances in which the individual is appointed (for example, if it is promotion of an internal candidate or an external appointment), expectation of shareholders and any regulatory requirements. Total variable pay awarded for the year in which the individual is newly appointed as an executive Director will be limited to 535% of base salary. This limit excludes buy-out awards and is in line with the aggregate maximum variable pay opportunity set out in the remuneration policy table. Guaranteed bonuses are only permitted by exception and in very rare and limited circumstances (for example, where the individual loses a variable pay opportunity with the previous employer as a result of joining HSBC and such an award is considered essential to attract and hire the candidate). If such an award is provided then, in line with the PRA remuneration rules, it will be limited to the first year of service, subject to the Group deferral policy and performance requirements.
Buy-out	The Committee may make an award to buy out remuneration terms forfeited on resignation from the previous employer. The Group buy-out policy is in line with the PRA remuneration rules, which state that both the terms and amount of any replacement awards will not be more generous than the award forfeited on departure from the former employer. In considering buy-out levels and conditions, the Committee will take into account the type of award, performance measures and likelihood of performance conditions being met in setting the quantum of the buy-out. Buy-out awards will match the terms of forfeited awards with the previous employer as closely as possible, subject to proof of forfeiture and other relevant documentation. Where the vesting time is fewer than 90 days, cash or deferred cash may be awarded for administrative purposes. Where appropriate, the Committee retains the discretion to utilise the provisions provided in the UK Listing Rules for the purpose of making buy-out awards.

Policy on payments for loss of office – executive Directors

The following table sets out the basis on which payments on loss of office may be made. Other than as set out in the table, there are no further obligations that could give rise to remuneration payments or payments for loss of office:

Payments on loss of office

Component of remuneration	Approach taken
Fixed pay and benefits	Executive Directors may be entitled to payments in lieu of: • notice, which may consist of base salary, FPA, cash in lieu of pension allowance, pension entitlements and other contractual benefits, or an amount in lieu of; and/or • accrued but untaken holiday entitlement. Payments may be made in instalments or a lump sum, and may be subject to mitigation, and subject to applicable tax and social security deductions.
Annual incentive and LTI	In exceptional circumstances, as determined by the Committee, an executive Director may be eligible for the grant of annual and/or long-term incentives under the HSBC Share Plan, taking into account the time worked in the performance year and based on the individual's contribution.
Unvested awards	All unvested awards will be forfeited when an executive Director ceases employment voluntarily and is not deemed a good leaver. An executive Director may be considered a good leaver, under the HSBC Share Plan, if their employment ceases in specified circumstances, which include: • ill heath, injury or disability, as established to the satisfaction of the Committee; • retirement with the agreement and approval of the Committee; • the employee's employer ceasing to be a member of the Group; • redundancy with the agreement and approval of the Committee; or • any other reason at the discretion of the Committee. If an executive Director is considered a good leaver, unvested awards will normally continue to vest in line with the applicable vesting dates, subject to performance conditions, the share plan rules, and malus and clawback provisions. Unless the Committee determined otherwise, awards made subject to forward-looking performance conditions, including LTI awards, will normally be subject to time pro-rating for time in employment during the performance period. In the event of death, unvested awards will vest and will be released to the executive Director's estate as soon as practicable. In respect of outstanding unvested awards, the Committee may determine that good leaver status is contingent upon the Committee being satisfied that the executive has no current or future intention at the date of leaving HSBC of being employed by any competitor financial services firm. The Committee determines the list of competitor firms from time to time, and the length of time for which this restriction applies. If the Committee becomes aware of any evidence to the contrary before vesting, the award will lapse.
Post-departure benefits	Executive Directors can be provided certain benefits for up to a maximum of seven years from date of departure for those who depart under good leaver provisions under the HSBC Share Plan, in accordance with the terms of the policy. Benefits may include, but are not limited to, medical coverage, tax return preparation assistance and legal expenses.
Other	Where an executive Director has been relocated as part of their employment, the Committee retains the discretion to pay the repatriation costs. This may include, but is not restricted to, airfare, accommodation, shipment, storage, utilities, and any tax and social security that may be due in respect of such benefits. Except in the case of gross misconduct or resignation, an executive Director may also receive retirement gifts.
Legal claims	The Committee retains the discretion to make payments (including professional and outplacement fees) in connection with an executive Director's cessation of office or employment. This may include payments that are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of that executive Director's office or employment.
Change of control	In the event of a change of control, outstanding awards will be treated in line with the provisions set out in the respective plan rules.

Other directorships

Executive Directors may accept appointments as non-executive Directors of companies that are not part of HSBC if so authorised by either the Board or the Nomination & Corporate Governance Committee.

When considering a request to accept a non-executive appointment, the Board or the Nomination & Corporate Governance Committee will take into account, among other things, the expected time commitment associated with the proposed appointment.

The time commitment for external appointments is also routinely reviewed to ensure that it will not compromise the Director's commitment to HSBC. Any remuneration receivable in respect of an external appointment of an executive Director is normally paid to the Group unless otherwise approved by the Nomination & Corporate Governance Committee or the Board.

Remuneration scenarios

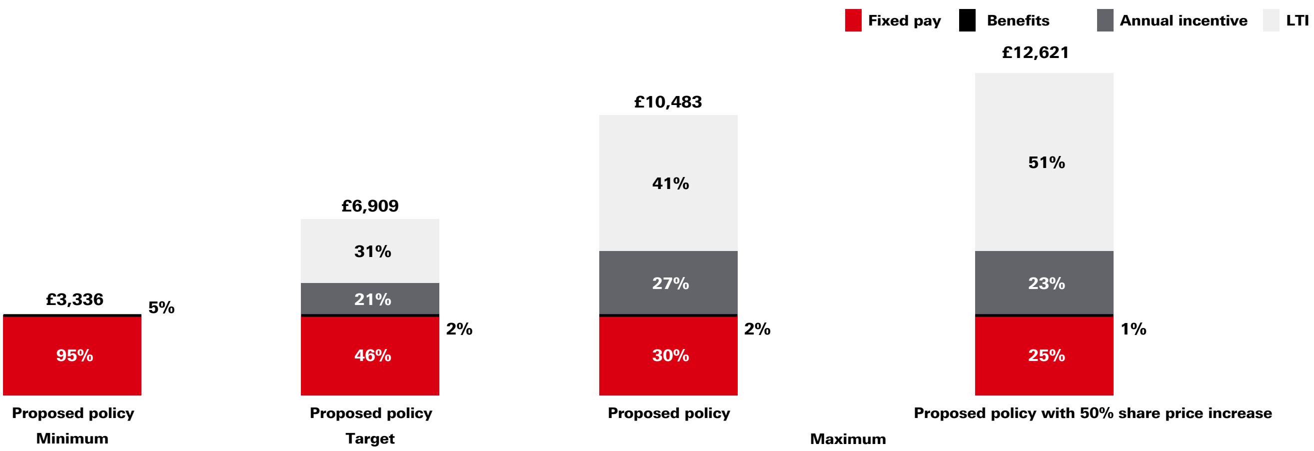
The following charts show how the total value of remuneration and its composition would vary under different performance scenarios for executive Directors under the proposed policy, which will be effective from the date of the 2022 AGM, subject to shareholders' approval. Benefits in the charts below represents value of regular benefits as per the 2021 single figure table of remuneration. Additional benefits may arise but will always be provided in line with the shareholder approved policy.

The charts set out:

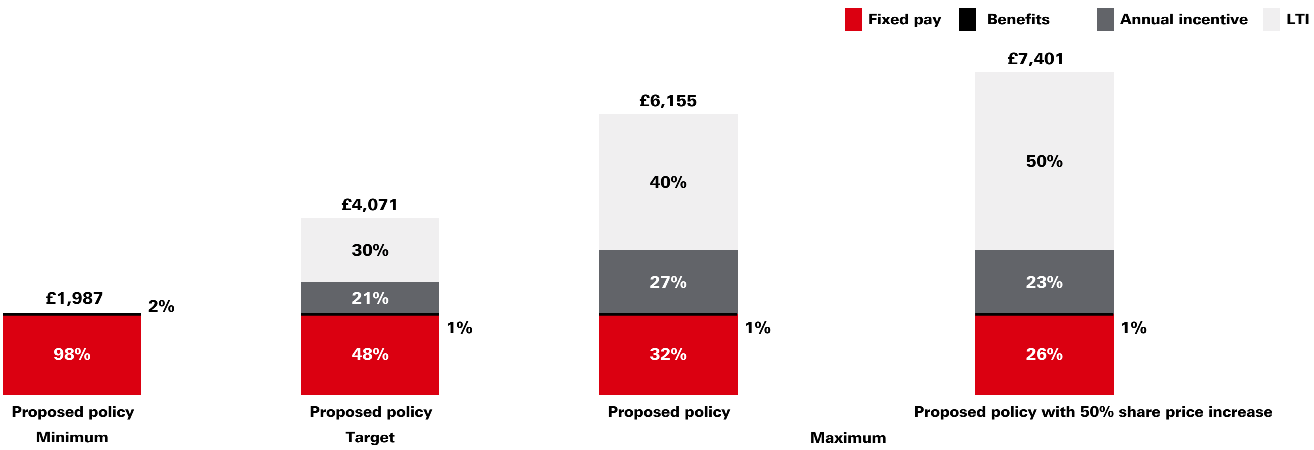
- the minimum level of remuneration receivable under the policy for each performance year;
- the remuneration level for achieving target level of performance (which assumes 50% of maximum variable pay opportunity is realised); and
- the maximum level of remuneration (which assumes 100% of the variable pay opportunity is realised), as well as the maximum value assuming a 50% increase in share price for LTI awards.

The charts have been prepared using 2022 salaries and, therefore, the annual incentive and LTI opportunities have been computed as percentages of 2022 salaries.

Group Chief Executive (£000)



Group Chief Financial Officer (£000)



Service contracts

The service contracts of executive Directors do not have a fixed term. The notice periods of executive Directors are set at the discretion of the Committee, taking into account market practice, governance considerations, and the skills and experience of the particular candidate at that time.

Service agreements for each executive Director are available for inspection at HSBC Holdings' registered office. Consistent with the best interests of the Group, the Committee will seek to minimise termination payments. Directors may be eligible for a payment in relation to statutory rights.

	Contract date (rolling)	Notice period (Director and HSBC)
Noel Quinn	18 March 2020	12 months
Ewen Stevenson	1 December 2018	12 months

Remuneration policy – non-executive Directors

The Nomination & Corporate Governance Committee has reviewed and revised the time commitments required for all non-executive Directors as the Board supports HSBC through its ambitious agenda of governance reform, growth and organisational development in an environment of increasing regulatory, political and organisational complexity.

The following table sets out the framework that will be used to determine the fees for non-executive Directors during the term of this policy.

Elements and link to strategy	Operation	Maximum opportunity
Fees To reflect the time commitment and responsibilities of a non-executive Director of HSBC Holdings.	The policy for non-executive Directors is to pay: • base fees; • further fees for additional Board duties, including but not limited to chairmanship, membership of a committee, or acting as the Senior Independent Director and/or Deputy Chairman; and • travel allowances. Fees are paid in cash. The Board retains the discretion to pay in shares rather than cash where appropriate. The non-executive Group Chairman will be paid a fixed annual fee for all Board responsibilities based on their experience and the time commitments expected for the role, together with such other benefits as the Group Remuneration Committee may in its absolute discretion determine. A newly appointed non-executive Director would be paid in line with the policy on a time-apportioned basis in the first year as necessary. No sign-on payments are offered to non-executive Directors. The Board (excluding the non-executive Directors) has discretion to approve changes to the fees. The Board may also introduce any new component of fees for non-executive Directors, subject to the principles, parameters and other requirements set out in this remuneration policy. Certain non-executive Directors may be entitled to receive fees for their services as directors of subsidiary companies of HSBC Holdings plc. Such additional remuneration is determined by the Board of Directors of each relevant subsidiary within a framework set by the Committee.	The Board will normally review the amount of each component of fees periodically to assess whether, individually and in aggregate, they remain competitive and appropriate in light of changes in roles, responsibilities and/or time commitment of the non-executive Directors, and to ensure that individuals of the appropriate calibre are retained or appointed. Other than in exceptional circumstances, during the term of this policy, fees will not increase by more than 20% above the 2022 levels. Travel allowances are set at an appropriate level, taking into account the time requirement for non-executive Directors to travel to overseas meetings. Any new fees, allowance or component part (for example, for a new committee) would be set and then subject to a maximum of 20% increase for the duration of the policy, subject to the exceptional circumstances referred to above.
Expenses/benefits	Any taxable or other expenses incurred in performing their role are reimbursed, as well as any related tax cost on such reimbursement. Non-executive Directors may on occasion receive reimbursement for costs incurred in relation to the provision of professional advice. These payments, if made, are taxable benefits to the non-executive Directors and the tax arising is paid by the Group on the Directors' behalf.	Not applicable
Shareholding guidelines To ensure appropriate alignment with the interests of our shareholders.	Non-executive Directors, individually or with their connected persons, are expected to satisfy a shareholding guideline of 15,000 shares within five years from their appointment. The Committee reviews compliance with the guidelines annually. The Committee has full discretion in determining any consequences in cases of non-compliance.	Not applicable

Service contracts

Non-executive Directors are appointed for fixed terms not exceeding three years, which may be renewed subject to their re-election by shareholders at AGMs. Non-executive Directors do not have service contracts, but are bound by letters of appointment issued for and on behalf of HSBC Holdings, which are available for inspection at HSBC Holdings' registered office. There are no obligations in the non-executive Directors' letters of appointment that could give rise to remuneration payments or payments for loss of office.

Policy on payments on loss of office – non-executive Directors

There are no obligations in the non-executive Directors' letters of appointment that could give rise to remuneration payments or payments for loss of office.

Non-executive Directors are entitled to notice under their letter of appointment. Non-executive Directors' current terms of appointment will expire as follows:

2022 AGM	2023 AGM	2024 AGM
José Antonio Meade Kuribreña	David Nish	Mark Tucker
Rachel Duan[1]	Jackson Tai	James Forese
Dame Carolyn Fairbairn[1]		Steven Guggenheimer
		Eileen Murray

1 Rachel Duan and Dame Carolyn Fairbairn were appointed following the 2021 AGM and therefore their initial three-year appointment terms are subject to approval of their election by shareholders at the 2022 AGM. Their initial three-year term of appointment will end at the conclusion of the 2025 AGM, subject to annual re-election by shareholders' at the relevant AGMs.

Remuneration arrangements for colleagues

Our remuneration arrangements for our colleagues, including the executive Directors, are driven by the Group reward strategy. The Committee reviews the Group reward strategy to ensure it continues to support HSBC's overall ability to attract, retain, develop and motivate the best people, who are aligned to HSBC's values and committed to maintaining a long-term career within the Group. Full details of our remuneration framework for our colleagues are disclosed on page 279.

Our executive Directors' remuneration policy aligns with our remuneration policy for our colleagues as follows:

- Externally sourced market data is used to help guide pay decisions for colleagues, including executive Directors.
- The base salary increases for executive Directors take into consideration base salary increases of colleagues across the Group, and relevant market conditions.
- The cash in lieu of pension allowance for executive Directors will not exceed the maximum contribution (as a percentage of salary) that can be made for the majority of colleagues in the relevant jurisdiction.
- All colleagues are eligible to be considered for an annual incentive award based on their performance and behaviour ratings. The variable pay for all colleagues, including executive Directors, is funded from a Group variable pay pool that is determined by reference to Group performance. Colleagues who receive a variable pay award above a certain level have a portion of their award deferred over a period of three to seven years.

- LTI awards are considered for senior management, given their ability to influence directly the long-term performance.

The Board gathers views from our colleagues through a number of engagement channels. Our management engages with colleagues, either on a Group-wide basis or in the context of smaller focus groups, to solicit feedback generally on a wide range of matters, including pay. Our annual survey on pay seeks the views of all colleagues on their performance and pay outcomes. The Committee reviews the outcomes of the survey and determines the key remuneration priorities for the forthcoming year. Many of our colleagues are also shareholders and therefore have the opportunity to vote on the policy at the 2022 AGM.

As part of our annual calendar, the Committee Chair also hosts a forum attended by the chairs of our principal subsidiaries boards and remuneration committees. This event allows the Committee to understand local market factors and feedback gathered from employees, within the regions where we operate, on pay and performance matters. This helps both management and the Committee to determine the prioritisation of pay budgets, and allows the Committee to ensure that funding is directed to the areas of need in support of the Group's strategic ambitions.

In 2022, the Committee has requested that a detailed review of the reward strategy be conducted to reflect the changes in the Group's strategy, and our employee value proposition as a result of the Covid-19 pandemic, as well as to ensure that we are well positioned versus developments in the market, both within financial services and more broadly. This will include engagement with colleagues to ensure their feedback on the various elements of our reward strategy can be taken into account as part of the Committee's decision making. An update will be provided as part of next year's Directors' remuneration report.

The table below details how the Group Remuneration Committee addresses the principles set out in the UK Corporate Governance Code in respect of the Directors' remuneration policy.

Provision	Approach
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• The Committee regularly engages and consults with key shareholders to take into account shareholder feedback and to ensure there is transparency on our policy and its implementation. • Details of our remuneration practices and our remuneration policy for Directors are published and available to all our employees.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• Our Directors' remuneration policy has been designed so that it is easy to understand and transparent, while complying with the provisions set out in the UK Corporate Governance Code and the remuneration rules of the UK's PRA and FCA, as well as meeting the expectations of our shareholders. The objective of each remuneration element is explained and the amount paid in respect of each element of pay is clearly set out.
Risk Remuneration structures should identify and mitigate against reputational and other risks from excessive rewards, as well as behavioural risks that can arise from target-based incentive plans.	• In line with regulatory requirements, our remuneration practices promote sound and effective risk management while supporting our business objectives (see page 281). • The Group Chief Risk and Compliance Officer attends Committee meetings and updates the Committee on the overall risk profile of the Group. The Committee also seeks inputs from the Group Risk Committee when making remuneration decisions. • Risk and conduct considerations are taken into account in setting the variable pay pool, from which any executive Director variable pay is funded. • Executive Directors' annual incentive and LTI scorecards include a mix of financial and non-financial measures. Financial measures in the scorecards are subject to a CET1 capital underpin to ensure CET1 capital remains within risk tolerance levels while achieving financial targets. In addition, the overall scorecard outcome is subject to a risk and compliance modifier. • The deferred portion of any awards granted to executive Directors is subject to a seven-year deferral period during which our malus policy can be applied. All variable pay awards that have vested are subject to our clawback policy for a period of up to seven years from the award date (extending to 10 years where an investigation is ongoing).
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	• The charts set out on page 264 show how the total value of remuneration and its composition vary under different performance scenarios for executive Directors.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear and outcomes should not reward poor performance.	• The annual incentive and LTI scorecards reward achievement of our financial and resource plan targets, as well as long-term financial and shareholder value creation targets. • The Committee retains the discretion to adjust the annual incentive and LTI payout based on the outcome of the relevant scorecards, if it considers that the payout determined does not appropriately reflect the overall position and performance of the Group during the performance period.
Alignment with culture Incentive schemes should drive behaviours consistent with the Group's purpose, values and strategy.	• In order for any annual incentive award to be made, each executive Director must achieve a required behaviour rating. • Annual incentive and LTI scorecards contain non-financial measures linked to our wider social obligations. These include measures related to reducing the environmental impact of our operations, improving customer satisfaction, diversity and employee engagement. • Each year senior employees participate in a 360 degree survey, which gathers feedback on values-aligned behaviours from peers, direct reports, skip level reports and managers.

Group Remuneration Committee

The Group Remuneration Committee is responsible for setting the overarching principles, parameters and governance of the Group's remuneration framework for our colleagues, and the remuneration of executive Directors, the Group Chairman and other senior Group colleagues. The Committee regularly reviews the framework to ensure it supports the Group's purpose, values, culture and strategy, as well as promoting sound risk management. The Committee also reviews the framework to satisfy itself that it complies with the regulatory requirements of multiple jurisdictions.

All members of the Committee are independent non-executive Directors of HSBC Holdings. No Directors are involved in deciding their own remuneration. A copy of the Committee's terms of reference can be found on our website at www.hsbc.com/our-approach/corporate-governance/board-committees.

The Committee met six times during 2021. Rachel Duan, Dame Carolyn Fairbairn and José Antonio Meade Kuribreña were appointed as members of the Committee during 2021. David Nish, Henri de Castries and Irene Lee stepped down as members of the Committee during 2021. The following is a summary of the Committee's key activities during 2021.

Matters considered during 2021

	Jan	Feb	May	Jul	Sep	Dec
Remuneration framework and governance						
Group variable pay pool, workforce performance and pay matters, gender pay gap report, and employee surveys	●	○	●	●	●	●
Directors' remuneration policy design	○	○	●	●	●	●
Executive Director remuneration policy implementation, scorecards and pay proposals	●	●	●	○	●	●
Remuneration for other senior executives of the Group	●	●	●	●	●	●
Directors' remuneration report	●	●	○	○	○	●
Regulatory, risk and governance						
Information on material risk and audit events, and performance and remuneration impacts for individuals involved	●	○	●	●	●	●
Regulatory updates, including approach and outcomes for the identification of Material Risk Takers	●	●	●	●	●	●
Governance matters	●	●	●	●	●	●
Principal subsidiaries						
Matters from subsidiary committees	●	●	●	●	●	●

Advisers

The Committee received input and advice from different advisers on specific topics during 2021. Deloitte LLP's engagement with the Committee was extended during 2021. Deloitte provided benchmarking data on remuneration policy matters and independent advice to the Committee. Deloitte also provided tax compliance and other advisory services to the Group. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

The Committee also received advice from Willis Towers Watson on market data and remuneration trends. Willis Towers Watson was appointed by management after considering invited proposals from similar consultancy firms. It provides actuarial support to Global Finance and benchmarking data and services related to benefits administration for our Group employees. The Committee was satisfied the advice provided by Deloitte and Willis Towers Watson was objective and independent in 2021.

For 2021, total fees of £176,550 and £35,060 were incurred in relation to remuneration advice provided by Deloitte and Willis Towers Watson, respectively. This was based on pre-agreed fees and a time-and-materials basis.

Attendees and interaction with other Board committees

During the year, Noel Quinn as the Group Chief Executive provided regular briefings to the Committee. In addition, the Committee engaged with and received updates from the following:

- Mark Tucker, Group Chairman;
- Elaine Arden, Group Chief Human Resources Officer;
- Jenny Craik, Group Head of Performance Management, Reward and Employee Relations;
- Alexander Lowen, Former Group Head of Performance Management and Reward;
- Pam Kaur, Group Chief Risk and Compliance Officer;
- Colin Bell, former Group Chief Compliance Officer;
- Bob Hoyt, Group Chief Legal Officer;
- Shawn Chen, Group General Counsel for Litigation and Regulatory Enforcement; and
- Aileen Taylor, Group Company Secretary and Chief Governance Officer.

The Committee also received feedback and input from the Group Risk Committee and Group Audit Committee on risk, conduct and compliance-related matters relevant to remuneration.

Committee effectiveness

The annual review of the effectiveness of the Committee was internally facilitated for 2021. The review concluded that the Committee continued to operate effectively, with a number of positive aspects of the Committee's operation and practices highlighted. Areas identified for focus during 2022 included:

- The Committee needs to receive suitable and relevant data and insight to support its discussion and decision making on pay, including for the wider workforce.
- It should facilitate the right level of preparation for its members.
- The Committee should consider how best the Committee's advisers and other external consultants could add value and insights on developing market context and stakeholder views to its discussions.

The Committee discussed the outcomes of the evaluation in January 2022, and endorsed the findings and actions to be taken. The outcomes of the evaluation have been reported to the Board and the Committee will track progress on the recommendations through the year.

Voting results from Annual General Meeting

The table below shows the voting results from our last AGM.

2021 Annual General Meeting voting results

	For	Against	Withheld
Remuneration report (votes cast)	**97.30 %**	**2.70%**	**—**
	8,898,898,415	**246,557,676**	**12,404,292**
Remuneration policy (2019) (votes cast)	97.36 %	2.64%	—
	9,525,856,097	258,383,075	47,468,297

Annual report on Directors' remuneration

This section sets out how our approved Directors' remuneration policy was implemented during 2021.

Determining executive Directors' incentive outcomes

(Audited)

The maximum 2021 annual incentive opportunity for our two executive Directors, Noel Quinn and Ewen Stevenson, was set at 215% of salary.

In order for any annual incentive award to be made, each executive Director must achieve a minimum values-aligned behaviour rating. For 2021, both executive Directors met this requirement.

The level of award is determined by applying the outcome of their annual incentive scorecard to the maximum opportunity. The scorecard measures, weighting and targets were determined at the start of the financial year taking into account the Group's plan for 2021 and the Group's strategic priorities and commitments.

The financial targets were set at the start of the financial year when there was significant uncertainty and challenging circumstances, including the emergence of new Covid-19 variants and ongoing low interest rates. For strategic measures, the performance assessment involved considering performance against targets set in line with our commitments, such as employee diversity, survey results for employee experience and customer satisfaction measures, as well as an assessment of the progress made and momentum generated to achieve our strategic priorities.

The Group's financial performance improved in 2021. In particular, the Committee noted:

- reported profit before tax was $18.9bn, which represented an increase of 115% compared with 2020 and an increase of 42% compared with 2019;
- strong cost controls were demonstrated, despite inflationary pressures and continued investment in technology, with adjusted costs at $32.15bn;
- RoTE was 8.3%; and
- there was a more positive shareholder experience, including share price performance and shareholder returns through dividends and capital returns.

As set out in the scorecard assessment table below, while cost performance was towards the lower end of the target range, it was broadly in line with the Group's revised adjusted cost guidance of $32bn, reflecting increases in technology investment and inflationary pressures. Adjusted revenue in Asia was down, due mainly to the impact of interest rate cuts. However, wealth and trade revenues grew, while loans and advances increased by $33bn for the year, indicating that demand remains high. We made strong progress towards our core objective of reducing RWAs in low-return franchises, achieving $104bn by the end of 2021 and more than 95% of our cumulative target for the end of 2022. We also made good progress on strategic measures, by improving customer satisfaction, maintaining the high level of employee engagement from 2020 and exceeding our gender representation target in senior leadership roles.

Overall, this level of performance resulted in a payout of 57.30% of the maximum for Noel Quinn and 60.43% for Ewen Stevenson.

The annual incentive scorecard is subject to a risk and compliance modifier, which provides the Committee with the discretion to adjust down the overall scorecard outcome, taking into account information such as any risk metrics being outside of tolerance for a significant period of time and any risk management failures that have resulted in significant customer detriment, reputational damage and/or regulatory censure. Taking into account the Group's performance against the risk metrics, inputs from the Group Risk Committee and overall performance of the executive Directors, the Committee determined that the application of the risk modifier was not required for 2021.

The Committee also reviewed these outcomes in the context of a number of internal and external considerations to determine whether it should exercise its discretion to reduce the formulaic outcome. The Committee determined that the 2021 formulaic outcome appropriately rewards the executive Directors for their performance within the context of Group's financial performance and overall stakeholder experience.

Annual incentive assessment

				Noel Quinn			Ewen Stevenson		
	Minimum (25% payout)	Maximum (100% payout)	Performance	Weighting (%)	Assessment (%)	Outcome (%)	Weighting (%)	Assessment (%)	Outcome (%)
Adjusted cost ($bn)	**32.27**	**31.47**	**32.15**	**20.00**	**36.25**	**7.25**	**20.00**	**36.25**	**7.25**
Revenue growth in Asia (%)	**0.44%**	**0.89%**	**-5.96%**	**20.00**	**—**	**—**	**15.00**	**—**	**—**
RWA reduction in legacy assets/low-return areas ($bn)[1]	**38.35**	**42.40**	**43.00**	**20.00**	**100.00**	**20.00**	**15.00**	**100.00**	**15.00**
Customer satisfaction	**See following section for non-financial performance commentary**			**15.00**	**67.00**	**10.05**	**15.00**	**67.00**	**10.05**
Employee experience				**15.00**	**75.00**	**11.25**	**15.00**	**75.00**	**11.25**
Personal objectives				**10.00**	**87.50**	**8.75**	**20.00**	**84.40**	**16.88**
Total				**100.00**		**57.30**	**100.00**		**60.43**
Maximum annual incentive opportunity (£000)						**£2,776**			**£1,619**
Annual incentive outcome (£000)						**£1,590**			**£978**

1 *As set out in our February 2020 business update, one of our objectives has been to reduce RWAs in low-return franchises and redeploy capital in areas of faster growth and higher returns, with a target of achieving a $100bn reduction in RWAs by the end of 2022. This target was subsequently amended during 2021, following a change to the methodology of capturing RWA saves. Following this amendment in methodology, the Committee adjusted the original target range of $28.35bn to $32.4bn and increased it to $38.35bn to $42.40bn.*

Non-financial performance

Shared objectives for Noel Quinn and Ewen Stevenson

Objectives	Weighting	Assessment	Performance
Customer satisfaction *Maintain and improve net promoter score ('NPS') in the UK and Hong Kong*	15%	67%	• In Wealth and Personal Banking, our NPS ranking in Hong Kong remained in third place, and in the UK our NPS increased and our overall rank improved by one place (assessed at 65%). • In Commercial Banking, our overall NPS ranking was fourth in Hong Kong, and we ranked in the top three among our large corporate customers. In the UK, overall we declined one rank position in 2021. We continued to have a top placed NPS ranking for mid-market enterprises, and we maintained our NPS ranks for large corporates and small business banking clients, while our ranking fell for business banking customers (assessed at 57%). • For Global Banking and Markets, we improved our overall NPS ranking in Asia from third to first place, and our rank improved by one place in Europe among priority clients (assessed at 80%).
Employee experience *Improve engagement, diversity and inclusion*	15%	75%	**Employee engagement** (assessed at 100%) • We met our stretch target to sustain last year's historically strong employee engagement score of 72%. The result is four points above the global financial services benchmark and five points above 2019 levels. • The index comprises three areas: willingness to recommend HSBC as a great place to work, feeling proud to work for HSBC, and feeling valued by HSBC. • Commentary from our survey suggests that focus on employee well-being, flexible work arrangements and our response to the Covid-19 pandemic have had a strong positive impact on employee engagement. **Gender representation in leadership roles** (assessed at 100%) • At the end of 2021, we had 31.7% of our senior leadership roles held by female colleagues, exceeding our target of 31.0% for the year and on track to achieving our new goal of 35.0% by 2025. • This has been achieved through a focus on the hiring, retention and career development of female colleagues. **Black employees' representation in leadership roles** (assessed at 100%) • The number of Black heritage employees in senior leadership increased by 17.5%. • We are reliant on our colleagues' choice to self-identify or not, noting that we have made good progress on this ethnicity data with 78.1% of UK colleagues and 95.2% of US colleagues having self-identified. This improvement has enabled a much clearer picture of where to focus attention and we are using it as part of progress check-ins with executives. **Engagement among colleagues identifying as part of an ethnic minority and who identify as having a disability** (assessed at 0%) • At a global level, we have not closed the gap in employee engagement scores between ethnic minority and non-ethnic-minority colleagues, or between colleagues with disabilities versus those who do not have a disability. • While delivering meaningful change will take time, we are deepening our understanding of where differences arise – in particular looking at how engagement is shaped by the way diverse groups are represented differently across our businesses, geographies and job types. • We have also introduced an inclusion index to help understand the sentiment of all colleagues, including diverse groups. This includes questions related to a sense of belonging, speak-up, trust, career, fair treatment and self-expression.

Personal objectives for Noel Quinn and Ewen Stevenson

Objectives	Weighting	Assessment	Performance
Noel Quinn • *Launch of refreshed purpose and values* • *Delivery of strategy*	10%	87.5%	**Launch of refreshed purpose and values** • Our refreshed purpose and values were successfully deployed with strong leadership tone from the Group Chief Executive and Group Executives internally and externally. • Our employee survey to test awareness and understanding of our new purpose, values and strategy found that 82% of respondents said that HSBC has the right purpose, strategy and values to drive success, and 76% believed that the purpose and values will lead to meaningful changes in how we work. The strategy index is at 72%, two points ahead of the financial services benchmark that has trended downwards. • The purpose and values have been embedded into our onboarding and induction processes for 26,500 new joiners, our recognition framework and performance management approach. **Delivery of strategy** • We are making progress across the four strategic pillars: Focus on our strengths, digitise at scale, energise for growth and transition to net zero. • Focus on our strengths: – In Wealth and Personal Banking, we saw growth of 138% in net new invested assets for Asia wealth. In asset management, our funds under management rose 5% to $630bn. In insurance, the value of new business in Singapore, mainland China, and Hong Kong (including Hang Seng Bank) increased 40% from 2020, to reach $917m. – In Commercial Banking, we saw strong growth in fee income in 2021, reaching $3.6bn, a growth of 9% compared with 2020. Our customer lending volume increased 3% to $349bn. We made progress on improving SME propositions in our key markets. Since the launch of Kinetic in the UK in 2020 we have reached 24,000 customers at the end of 2021. – In Global Banking and Markets, we reduced adjusted RWAs by 10% to $236bn at 31 December 2021, driven by saves in our Western franchise, comprising of our Europe and Americas businesses. Overall, Global Banking and Markets revenue reached approximately $15bn, driven by strong performance in Equities, Capital Markets and Advisory, and Securities Services. – We made progress on restructuring our US business and HSBC Bank plc, our non-ring-fenced bank in Europe and the UK. We announced three key acquisitions in 2021 to further strengthen our wealth franchise in Asia. We entered into an agreement to acquire AXA Singapore, pending regulatory approval, with the intention to merge the business with the operations of our existing HSBC Life Singapore franchise. We agreed to fully acquire L&T Investment Management, the 12th largest mutual fund management company in India. We received regulatory approval to acquire the remaining 50% stake in HSBC Life China, bringing our shareholder ownership to 100% upon completion. • Digitise at scale: We made good progress on automating our organisation at scale. Our Cloud adoption rate, which is the percentage of our technology services on the private or public Cloud, increased from approximately 20% in 2020 to 27% in 2021. At the end of 2021, 43% of our customers were 'mobile active' users, who are customers that had logged onto a mobile app at least once in the last 30 days. This is an improvement compared with 38% in 2020. • Energise for growth: We continue to help to energise our colleagues through initiatives that help develop their future skills and learning opportunities, in areas including data, digital and sustainability. • Transition to net zero: In 2021, we reduced our organisation's absolute greenhouse gas emissions in our operations to 341,000 CO_2 tonnes, a decrease of 50% using 2019 as the baseline. We provided and facilitated $82.6bn of sustainable finance and investment, taking the cumulative amount to $126.7bn since 1 January 2020, as part of our $750bn to $1tn by 2030 ambition.
Ewen Stevenson • *Finance on the Cloud deployment* • *Climate stress test* • *Resolvability assessment framework attestation* • *Reduce Global Finance function costs and number of FTEs*	20%	84.4%	• The Finance on the Cloud programme entered into the implementation phase in 2021. The RWA and liquidity Cloud migrations from the legacy Platfora solution was completed and the UK Cloud transformation was extended to liquidity. All regulatory obligations in relation to this were met. We also made progress with the global roll-out of the Cloud solution in Hong Kong and the US. • We significantly developed our climate scenario capabilities, largely driven by the climate biennial exploratory scenario exercise and through developing a framework to incorporate client adaptation plans into climate scenario analysis to address insufficient client data issues. We developed reporting that includes the Group's carbon reduction metrics, with reporting of high-risk sectors included in the quarterly Group Executive Committee update. We also enhanced disclosures to cover quantitative risk metrics aligned with the climate risk appetite statement. • We built capabilities to support the resolvability assessment framework and met all regulatory deadlines during 2021 in relation to this. • The Global Finance function costs were marginally above target due to market pay challenges and the target for full-time equivalent colleagues was largely met.

Single figure of remuneration

(Audited)

The following table shows the single figure of total remuneration of each executive Director for 2021, together with comparative figures.

Single figure of remuneration

	Noel Quinn		Ewen Stevenson	
(£000)	**2021**	2020	**2021**	2020
Base salary[1]	**1,288**	1,266	**751**	738
Fixed pay allowance ('FPA')[1]	**1,700**	1,700	**1,062**	950
Cash in lieu of pension	**129**	127	**75**	74
Taxable benefits[2]	**95**	186	**3**	12
Non-taxable benefits[2]	**71**	59	**42**	32
Total fixed	**3,283**	3,338	**1,933**	1,806
Annual incentive[3]	**1,590**	799	**978**	450
Notional returns[4]	**22**	17	**—**	—
Replacement award[5]	—	—	**754**	1,431
Total variable	**1,612**	816	**1,732**	1,881
Total fixed and variable	**4,895**	4,154	**3,665**	3,687

1 *Executive Directors made the personal decision to donate 100% of their base salary increases for 2021 to charity given the ongoing challenging external environment. Ewen Stevenson also donated his FPA increase for 2021 to charity. Figures shown in the table above are the gross figures before charitable donations.*
2 *Taxable benefits include the provision of medical insurance, car and tax return assistance (including any associated tax due, where applicable). Non-taxable benefits include the provision of life assurance and other insurance cover.*
3 *Noel Quinn and Ewen Stevenson both voluntarily waived the cash portion of their 2020 annual incentive. Without this voluntary waiver, the 2020 annual incentive of Noel Quinn and Ewen Stevenson would have been £1,598,000 and £900,000, respectively.*
4 *The deferred cash awards granted in prior years includes a right to receive notional returns for the period between the grant and vesting date. This is determined by reference to a rate of return specified at the time of grant and paid annually, with the amount disclosed on a paid basis.*
5 *In 2019 Ewen Stevenson was granted replacement awards to replace unvested awards, which were forfeited as a result of him joining HSBC. The awards, in general, match the performance, vesting and retention periods attached to the awards forfeited. The values included in the table for 2020 relate to his 2017 LTI award granted by the Royal Bank of Scotland Group plc ('RBS'), now renamed as NatWest Group plc ('NatWest'), for performance year 2016, which was determined by applying the performance assessment outcome of 56.25% as disclosed in NatWest's* Annual Report and Accounts 2019 *(page 91) to the maximum number of shares subject to performance conditions. This resulted in a payout equivalent to 78.09% of NatWest award shares that were forfeited and replaced with HSBC shares. A total of 313,608 shares were granted in respect of his 2017 LTI replacement award at a share price of £6.643. The HSBC share price was £5.845 when the awards ceased to be subject to performance conditions, with no value attributable to share price appreciation. The value included in the table for 2021 relates to Ewen Stevenson's 2018 LTI replacement award granted by NatWest for performance year 2017 and was subject to a pre-vest performance test assessed and disclosed by NatWest in its* Annual Report and Accounts 2020 *(page 135). As no adjustment was proposed for Ewen Stevenson by NatWest, a total of 177,883 shares granted in respect of his 2018 LTI replacement award ceased to be subject to performance conditions. These awards were granted at a share price of £6.643 and the HSBC share price was £4.240 when the awards ceased to be subject to performance conditions, with no value attributable to share price appreciation.*

Benefits

The values of the significant benefits in the single figure table are set out in the following table.[1]

	Noel Quinn	
(£000)	**2021**	2020
Insurance benefit (non-taxable)	**67**	51
Car and driver (UK and Hong Kong)[2]	**87**	139

1 *The insurance and car benefits for Ewen Stevenson are not included in the above table as they were not deemed significant.*
2 *The 2021 car and driver benefit was lower than 2020 due to the impact of travel restrictions during the Covid-19 pandemic.*

Long-term incentive awards

(Audited)

Long-term incentive in respect of 2021

After taking into account performance for 2021, the Committee decided to grant Noel Quinn and Ewen Stevenson LTI awards of £4,131,000 and £2,410,000, respectively.

The 2021 LTI awards will have a three-year performance period starting 1 January 2022. During this period, performance will be assessed based on four equally weighted measures: two financial measures to incentivise value creation for our shareholders; a measure linked to our climate ambitions; and a measure for relative total shareholder return ('TSR'). This is consistent with the measures used for our last LTI award.

RoTE is a key measure of our financial performance and how we generate returns that deliver value for our shareholders. The target range for this measure is aligned with our medium-term objective of achieving a RoTE of 10% or more.

Capital reallocation to Asia remains one of the key levers of our strategy and business transformation plan. This measure will be assessed based on the share of Group tangible equity allocated to Asia at the end of the performance period. The target range for this measure is aligned with our long-term strategic plan.

The transition to net zero scorecard measures are aligned to our strategic priority of bringing carbon emissions in our own operations to net zero by 2030 and supporting our customers in the transition to a more sustainable future, by providing and facilitating $750bn to $1tn of sustainable finance and investment over the same time period. Targets are linked to this climate ambition and performance will be assessed based on the reduction in our carbon footprint and the financing we provide to our clients in their net zero transition.

Relative TSR rewards executive Directors based on comparison of the TSR performance of the Group and a relevant peer group. No changes were made to the peer group for this LTI award. The Committee will review the TSR peer group for future LTI awards to ensure the peer group remains appropriate, taking into account the progress in the execution of our strategic shifts in our geographical and business mix, notably future growth investment in Asia and wealth business.

The LTI continues to be subject to a risk and compliance modifier, which gives the Committee the discretion to adjust down the overall outcome to ensure that the Group operates soundly when achieving its financial targets. For this purpose, the Committee will receive information including any risk metrics outside of tolerance for a significant period of time and any risk management failures that have resulted in significant customer detriment, reputational damage and/or regulatory censure.

The RoTE and capital reallocation to Asia measures are also subject to a CET1 underpin. If the CET1 ratio at the end of the performance period is below the CET1 risk tolerance level set in the risk appetite statement, then the assessment for these measures will be reduced to nil.

As the awards are not entitled to dividend equivalents in accordance with regulatory requirements, the number of shares to be awarded will be adjusted to reflect the expected dividend yield of the shares over the vesting period.

To the extent performance conditions are satisfied at the end of the three-year performance period, the awards will vest in five equal annual instalments commencing from around the third anniversary of the grant date. On vesting, shares equivalent to the net number of shares that have vested (after those sold to cover any income tax and social security payable) will be held for a retention period of up to one year, or such period as required by regulators.

Performance conditions for LTI awards in respect of 2021 (performance period 1 January 2022 to 31 December 2024)

Measures[1]		Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)	Weighting %
RoTE (with CET1 underpin)[2]		8.0%	9.5%	11.0%	25.0
Capital reallocation to Asia (with CET1 underpin)[3]		46.0%	48.0%	50.0%	25.0
Transition to net zero[4]	**Carbon reduction**	52.0%	56.0%	60.0%	25.0
	Sustainable finance and investment	$285.0bn	$340.0bn	$370.0bn	
Relative TSR[5]		At the median of the peer group	Straight-line vesting between minimum and maximum	At the upper quartile of the peer group	25.0

1 *Awards will vest on a straight-line basis for performance between the minimum, target and maximum levels of performance set in this table.*
2 *To be assessed based on RoTE at the end of the performance period. This metric will be subject to the CET1 underpin outlined above.*
3 *To be assessed based on share of Group tangible equity (on a constant currency basis and excluding associates) allocated to Asia by 31 December 2024. This metric will be subject to the CET1 underpin outlined above.*
4 *Carbon reduction will be measured based on percentage reduction in total energy and travel emissions achieved by 31 December 2024 using 2019 as the baseline. The sustainable finance and investment metric will assess cumulative financing provided over the period commencing on 1 January 2020 and ending on 31 December 2024.*
5 *The peer group for the 2021 award is: Bank of America, Barclays, BNP Paribas, Citigroup, Credit Suisse Group, DBS Group Holdings, Deutsche Bank, J.P. Morgan Chase & Co., Lloyds Banking Group, Morgan Stanley, Standard Chartered and UBS Group.*

2018 long-term incentive performance

The 2018 LTI award was granted to John Flint (former Group Chief Executive) and Marc Moses (former Group Chief Risk Officer).

Based on the scorecard outcome, 78,071 shares will vest for John Flint and 54,932 shares will vest for Marc Moses (determined by pro-rating their awards for time in employment during the performance period of 1 January 2019 to 31 December 2021). The awards will vest in five equal annual instalments commencing in March 2022. Using the average daily closing share prices over the three months to 31 December 2021 of £4.339 the value of awards to vest to John Flint and Marc Moses is £338,750 and £238,350, respectively.

Assessment of the LTI award in respect of 2018 (performance period 1 January 2019 to 31 December 2021)

Measures (with weighting)	Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)	Actual	Assessment	Outcome
Average RoTE (with CET1 underpin) (75%)	10.0%	11.0%	12.0%	6.6%	0.0%	0.00%
Employer advocacy[1] (12.5%)	65%	70%	75%	70%	50.0%	6.25%
Environmental, social and governance rank[2] (12.5%)	At median of the peer group	Straight-line vesting between minimum and maximum	At upper quartile of peer group	Above upper quartile	100.0%	12.50%
Total[3]						18.75%

1 *Assessed based on results of the 2021 employee Snapshot survey question: 'I would recommend this company as a great place to work'.*
2 *Based on Sustainalytics ratings. Peer group for this measure included Bank of America, Barclays, BNP Paribas, Citigroup, Credit Suisse Group, Deutsche Bank, DBS Group Holdings, J.P. Morgan Chase & Co., Lloyds Banking Group, Standard Chartered, UBS Group, ICBC, Itau and Santander.*
3 *The award was subject to a risk and compliance underpin which gives the Committee the discretion to adjust down the overall scorecard outcome, taking into account performance against risk and compliance factors during the performance period for the award. Taking into account inputs received from Group Risk and Compliance and the Group Risk Committee, the Committee considered the application of the risk and compliance underpin was not required.*

Scheme interests awarded during 2021

(Audited)

The table below sets out the scheme interests granted to executive Directors during 2021 in respect of performance year 2020, as disclosed in the 2020 Directors' remuneration report. No non-executive Directors received scheme interests during the financial year.

Scheme awards in 2021

(Audited)

	Type of interest awarded	Basis on which award made	Date of award	Face value awarded[1] £000	Percentage receivable for minimum performance	Number of shares awarded	End of performance period
Ewen Stevenson	LTI deferred shares[2]	% of salary[2]	**1 March 2021**	**2,716**	**25**	**637,197**	**31 December 2023**
Noel Quinn	LTI deferred shares[2]	% of salary[2]	**1 March 2021**	**4,767**	**25**	**1,118,554**	**31 December 2023**

1 *The face value of the award has been computed using HSBC's closing share price of £4.262 taken on 26 February 2021. LTI awards are subject to a three-year forward-looking performance period and vest in five equal annual instalments, between the third and seventh anniversary of the award date, subject to performance achieved. On vesting, awards will be subject to a one-year retention period. Awards are subject to malus during the vesting period and clawback for a maximum period of 10 years from the date of the award.*

2 *In line with regulatory requirements, scheme interests awarded during 2021 were not eligible for dividend equivalents. In accordance with the remuneration policy approved by shareholders at the 2019 AGM, the LTI award was determined at 293% of salary for Noel Quinn and 286% of salary for Ewen Stevenson. The number of shares to be granted was determined by taking HSBC's closing share price of £4.262 taken on 26 February 2021, and applying a discount based on HSBC's expected dividend yield of 5% per annum for the vesting period (£3.324).*

The above table does not include details of shares issued as part of the fixed pay allowance and shares issued as part of the 2020 annual incentive award that vested on grant and were not subject to any further service or performance conditions. Details of the performance measures and targets for the LTI award in respect of 2020 are set out below:

Performance conditions for LTI awards in respect of 2020 (performance period 1 January 2021 to 31 December 2023)

Measures[1]		Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)	Weighting %
RoTE (with CET1 underpin)[2]		8.0%	9.0%	10.0%	25.0
Capital reallocation to Asia (with CET1 underpin)[3]		45.0%	47.0%	50.0%	25.0
Environment and sustainability[4]	**Carbon reduction**	42.0%	48.0%	51.0%	25.0
	Sustainable finance and investment	$200.0bn	$240.0bn	$260.0bn	
Relative TSR[5]		At median of the peer group	Straight-line vesting between minimum and maximum	At upper quartile of peer group	25.0

1 *Awards will vest on a straight-line basis for performance between the minimum, target and maximum levels of performance set in this table.*

2 *To be assessed based on RoTE at the end of the performance period. The measure will also be subject to a CET1 underpin. If the CET1 ratio at the end of the performance period is below the CET1 risk tolerance level set in the risk appetite statement, then the assessment for this measure will be reduced to nil.*

3 *To be assessed based on share of Group tangible equity (on a constant currency basis and excluding associates) allocated to Asia by 31 December 2023. This metric will be measured on an organic basis and will exclude changes in Group tangible equity allocation resulting from acquisitions and disposals (and also part-acquisitions or part-disposals) of businesses and is subject to the CET1 underpin outlined above.*

4 *Carbon reduction will be measured based on percentage reduction in total energy and travel emissions achieved by 31 December 2023 using 2019 as the baseline. The sustainable finance and investment metric will assess cumulative financing provided over the period commencing on 1 January 2020 and ending on 31 December 2023.*

5 *The peer group for the 2020 award is: Bank of America, Barclays, BNP Paribas, Citigroup, Credit Suisse Group, DBS Group Holdings, Deutsche Bank, J.P. Morgan Chase & Co., Lloyds Banking Group, Morgan Stanley, Standard Chartered and UBS Group.*

Executive Directors' interests in shares

(Audited)

The shareholdings of executive Directors in 2021, including the shareholdings of their connected persons, at 31 December 2021 (or the date they stepped down from the Board, if earlier) are set out below. The following table shows the comparison of shareholdings with the company shareholding guidelines. There have been no changes in the shareholdings of the executive Directors from 31 December 2021 to the date of this report.

Individuals have five years from their appointment date to build up the recommended levels of shareholding. In line with investor guidance, for executive Directors, unvested shares which are not subject to forward-looking performance conditions (on a net of tax basis) will count towards their shareholding requirement under the new policy proposed for shareholder approval at the 2022 AGM.

The Committee reviews compliance with the shareholding requirement and has full discretion in determining if any unvested shares should be taken into consideration for assessing compliance with this requirement, taking into account shareholder expectations and guidelines. The Committee also has full discretion in determining any penalties for non-compliance.

With regard to post-employment shareholding arrangements, we believe that our remuneration structure achieves the objective of ensuring there is ongoing alignment of executive Directors' interests with shareholder experience post-cessation of their employment due to the following features of the policy:

- Shares delivered to executive Directors as part of the FPA have a five-year retention period, which continues to apply following a departure of an executive Director.
- Shares delivered as part of an annual incentive award are subject to a one-year retention period, which continues to apply following a departure of an executive Director.
- LTI awards have a seven-year vesting period with a one-year post-vesting retention period, which is not accelerated on departure. The weighted average holding period of an LTI award within HSBC is therefore six years, in excess of the five-year holding period typically implemented by FTSE-listed companies. When an executive Director ceases employment as a good leaver under our policy, any LTI awards granted will continue to be released over a period of up to eight years, subject to the outcome of performance conditions.

HSBC operates an anti-hedging policy under which individuals are not permitted to enter into any personal hedging strategies in relation to HSBC shares subject to a vesting and/or retention period.

Shares

(Audited)

	Shareholding guidelines (% of salary)	At 31 Dec 2021				
			Scheme interests			
					Shares awarded subject to deferral[1]	
		Shareholding at 31 Dec 2021[2] (% of salary)	Share interests (number of shares)	Share options[3]	without performance conditions[4]	with performance conditions[5]
Executive Directors						
Noel Quinn[6]	400%	**380%**	**1,131,278**	**—**	**481,634**	**1,118,554**
Ewen Stevenson[6]	300%	**483%**	**838,154**	**—**	**506,743**	**1,113,954**

1 *The gross number of shares is disclosed. A portion of these shares will be sold at vesting to cover any income tax and social security that falls due at the time of vesting.*
2 *The value of the shareholding is calculated using an average of the daily closing share prices in the three months to 31 December 2021 (£4.339).*
3 *At 31 December 2021, Noel Quinn and Ewen Stevenson did not hold any options under the HSBC Holdings Savings-Related Share Option Plan (UK).*
4 *The amount for Ewen Stevenson reflects the award granted in May 2019, replacing the 2015 to 2018 LTIs forfeited by the Royal Bank of Scotland Group plc, now renamed as NatWest Group plc ('NatWest'), and is subject to any performance adjustments assessed and disclosed in the relevant NatWest* Annual Report and Accounts*.*
5 *LTI awards granted in February 2020 and 2021 are subject to the performance conditions as set out on page 273.*
6 *All Group Executives and executive Directors are expected to meet their shareholding guidelines within five years of the date of their appointment (Noel Quinn and Ewen Stevenson were appointed on 5 August 2019 and 1 January 2019 respectively). For Group Executives, their shareholding requirement is 250% of salary and unvested shares that are not subject to forward-looking performance conditions (on a net of tax basis) are counted towards their shareholding requirement.*

Total pension entitlements

(Audited)

No employees who served as executive Directors during the year have a right to amounts under any HSBC final salary pension scheme for their services as executive Directors or are entitled to additional benefits in the event of early retirement. There is no retirement age set for Directors, but the normal retirement age for colleagues is 65.

Payments to past Directors

(Audited)

Details of the 2018 LTI outcome, in which John Flint (former Group Chief Executive) and Marc Moses (former Group Chief Risk Officer) participated, are outlined on page 272. No payments were made to, or in respect of, former Directors in the year in excess of the minimum threshold of £50,000 set for this purpose.

Payments for loss of office

(Audited)

No payments for loss of office were made to, or in respect of, former or current Directors in the year.

External appointments

During 2021, executive Directors did not receive any fees from external appointments.

Implementation of remuneration policy in 2022 for executive Directors

The base salary of our executive Directors will increase by 3.5% with effect from 1 March 2022. The Committee determined the increase was necessary to ensure that the total remuneration opportunity of our executive Directors does not fall further behind desired levels based on the size, complexity and international peer group of the Group. This was discussed with shareholders during our engagement with them on the new Directors' remuneration policy.

The increase is in line with the average salary increase of our wider workforce. There is no other change to the remuneration elements of our executive Directors.

The following table summarises how the maximum opportunity for each element of our remuneration policy for executive Directors will be implemented in 2022.

Implementation of remuneration policy in 2022

	Summary of operation	Noel Quinn	Ewen Stevenson
Base salary	**3.5% increase with effect from 1 March 2022 (in line with the increase for the wider workforce)**	**£1,336,000**	**£779,000**
Fixed pay allowance	**No change**	**£1,700,000**	**£1,085,000**
Cash in lieu of pension	**No change**	**10% of base salary**	
Benefits	**No change**	**Same benefit provisions will be made available**	
Annual incentive	**No change in maximum opportunity**	**Maximum opportunity will be 215% of base salary**	
Long-term incentive	**No change in maximum opportunity**	**Maximum opportunity will be 320% of base salary**	

2022 annual incentive scorecards

The 2022 annual incentive scorecard measures for our executive Directors have been set to deliver growth and business transformation. The targets for the measures have been set, reflecting on the Group's plan for 2022 and the macroeconomic uncertainty, including the interest rate environment and inflation.

The Committee will continue to retain discretion to adjust the formulaic outcomes of scorecards, taking into account factors such as Group profits, wider business performance and stakeholder experience, to ensure executive reward is aligned with underlying Group performance and the broader stakeholder experience.

The weightings and performance measures for the 2022 annual incentive award for executive Directors are disclosed below. The performance targets are commercially sensitive and it would be detrimental to the Group's interests to disclose them at the start of the financial year. Subject to commercial sensitivity, we will disclose the targets for a given year in the *Annual Report and Accounts* for that year in the Directors' remuneration report.

Executive Directors will be eligible for an annual incentive award of up to 215% of base salary.

The 2022 annual incentive scorecards for members of our Group Executive Committee include similar measures as for the executive Directors to drive performance in each of our businesses, functions and regions that contribute to the overall success of the Group. The Group Executives' LTI awards in respect of 2021 will also be subject to the same three-year forward-looking scorecard measures and targets as set out on page 271.

2022 annual incentive scorecard measures and weightings

Measures	Noel Quinn Weighting %	Ewen Stevenson Weighting %
Group adjusted profit before tax	**20.0**	**15.0**
Growth in Group lending and net new invested assets	**15.0**	**10.0**
RoTE	**15.0**	**15.0**
Group adjusted costs	**10.0**	**10.0**
Customer satisfaction in the UK, Hong Kong and key growth markets	**15.0**	**15.0**
Employee experience through maintaining and improving engagement, increasing diversity and improving inclusion	**15.0**	**15.0**
Personal objectives Group Chief Executive • Technology transformation, growth initiatives, restructuring of the Group and driving innovation programmes. Group Chief Financial Officer • Finance of the future, creating strong corporate development and Group transformation functions, Global Finance function employee experience and Global Finance function efficiency.	**10.0**	**20.0**
Total	**100.0**	**100.0**

The Group adjusted profit before tax, Group lending and net new invested assets growth, RoTE and Group adjusted costs measures will be subject to a CET1 underpin. If the CET1 ratio on 31 December 2022 is below the CET1 risk tolerance level set in the risk appetite statement, then the assessment for these measures will be reduced to nil. The 2022 annual incentive scorecard is subject to a risk and compliance modifier, which allows the Committee the discretion to adjust down the overall scorecard outcome to ensure that the Group operates soundly when achieving its financial targets. For this purpose, the Committee will receive information including any risk thresholds outside of tolerance for a significant period of time and any risk management failures that have resulted in significant customer detriment, reputational damage and/or regulatory censure.

Non-executive Directors

(Audited)

The following table shows the total fees and benefits of non-executive Directors for 2021, together with comparative figures for 2020.

Fees and benefits

(Audited)	Fees[1]		Benefits[2]		Total	
(£000)	**2021**	2020	**2021**	2020	**2021**	2020
Henri de Castries[3]	**82**	202	**22**	1	**104**	203
Laura Cha[3, 4]	**242**	587	**18**	—	**260**	587
Rachel Duan[5]	**67**	—	**—**	—	**67**	—
Dame Carolyn Fairbairn[6]	**80**	—	**—**	—	**80**	—
James Forese[7]	**572**	160	**—**	—	**572**	160
Steven Guggenheimer[8]	**250**	134	**—**	—	**250**	134
Irene Lee[9]	**556**	546	**—**	—	**556**	546
José Antonio Meade Kuribreña[10]	**223**	202	**—**	4	**223**	206
Heidi Miller[3, 11]	**251**	632	**19**	7	**270**	639
Eileen Murray[12]	**266**	120	**—**	—	**266**	120
David Nish[13]	**482**	480	**10**	8	**492**	488
Jackson Tai	**350**	355	**—**	12	**350**	367
Mark Tucker[14]	**1,500**	1,500	**33**	52	**1,533**	1,552
Pauline van der Meer Mohr[15]	**291**	312	**—**	2	**291**	314
Total (£000)	**5,212**	5,230	**102**	79	**5,314**	5,309
Total ($000)	**7,169**	6,958	**140**	105	**7,309**	7,063

1 Fees are in line with the Directors' remuneration policy that was approved at the 2019 AGM. Fees include a travel allowance of £4,000 for non-UK based non-executive Directors and for all non-executive Directors effective from 1 June 2019. Given the travel restrictions in place, the Board was unable to travel to attend meetings in person. Therefore, no travel allowance was paid to non-executive Directors during 2021.

2 Benefits include taxable expenses such as accommodation, travel and subsistence relating to attendance at Board and other meetings at HSBC Holdings' registered offices. Amounts disclosed have been grossed up using a tax rate of 45%, where relevant.

3 Retired from the Board on 28 May 2021.

4 Includes fees of £177,000 (2020: £423,800) for her role as non-executive Chair and member of the Nomination Committee of The Hongkong and Shanghai Banking Corporation Limited.

5 Appointed to the Board and as a member of the Group Remuneration Committee and Nomination & Corporate Governance Committee on 1 September 2021.

6 Appointed to the Board and as a member of the Group Risk Committee, Group Remuneration Committee and Nomination & Corporate Governance Committee on 1 September 2021.

7 Includes fees of £332,000 (2020: £nil) in relation to his role as a non-executive Director of HSBC North America Holdings, Inc. He was appointed as non-executive Chair on 28 May 2021.

8 Appointed as Co-Chair of the Technology Governance Working Group on 1 March 2021.

9 Includes fees of £380,000 (2020: £546,000) in relation to her roles as a Director, Remuneration Committee Chair, Audit Committee member and Risk Committee member of The Hongkong and Shanghai Banking Corporation Limited and in relation to her role as non-executive Chair of Hang Seng Bank Limited.

10 Appointed to the Group Remuneration Committee on 28 May 2021.

11 Includes fees of £169,000 (2020: £431,000) in relation to her role as non-executive Chair of HSBC North America Holdings, Inc.

12 Appointed as Co-Chair of the Technology Governance Working Group on 1 March 2021. Stepped down as a member of the Group Audit Committee on 28 May 2021.

13 Stepped down as a member of Group Remuneration Committee on 23 February 2021.

14 As previously announced in 2020, a part of the fee for 2021 was donated to charity. The fee shown in the single figure of remuneration is the gross fee before charitable donations.

15 Stepped down as a member of the Group Risk Committee on 28 May 2021.

Non-executive Directors' interests in shares

(Audited)

The shareholdings of persons who were non-executive Directors in 2021, including the shareholdings of their connected persons, at 31 December 2021, or date of cessation as a Director if earlier, are set out below.

Non-executive Directors are expected to meet the shareholding guidelines within five years of the date of their appointment. All non-executive Directors who had been appointed for five years or more at 31 December 2021 met the guidelines.

Shares

	Shareholding guidelines (number of shares)	**Share interests (number of shares)**
Laura Cha (retired on 28 May 2021)	15,000	**16,200**
Henri de Castries (retired on 28 May 2021)	15,000	**19,251**
Rachel Duan (appointed to the Board on 1 Sep 2021)	15,000	**–**
Dame Carolyn Fairbairn (appointed to the Board on 1 Sep 2021)	15,000	**–**
James Forese	15,000	**115,000**
Steven Guggenheimer	15,000	**15,000**
Irene Lee	15,000	**15,000**
José Antonio Meade Kuribreña	15,000	**15,000**
Heidi Miller (retired on 28 May 2021)	15,000	**15,700**
Eileen Murray	15,000	**75,000**
David Nish	15,000	**50,000**
Jackson Tai	15,000	**66,515**
Mark Tucker	15,000	**307,352**
Pauline van der Meer Mohr	15,000	**15,000**

2022 fees for non-executive Directors

The table below sets out the 2022 fees for non-executive Directors.

Position		**2022 fees £**
Non-executive Group Chairman[1]		**1,500,000**
Non-executive Director (base fee)		**127,000**
Senior Independent Director		**200,000**
Group Risk Committee	Chair	**150,000**
	Member	**40,000**
Group Audit Committee and Group Remuneration Committee	Chair	**75,000**
	Member	**40,000**
Nomination & Corporate Governance Committee	Chair	**—**
	Member	**33,000**
Technology Governance Working Group	Co-Chair	**60,000**

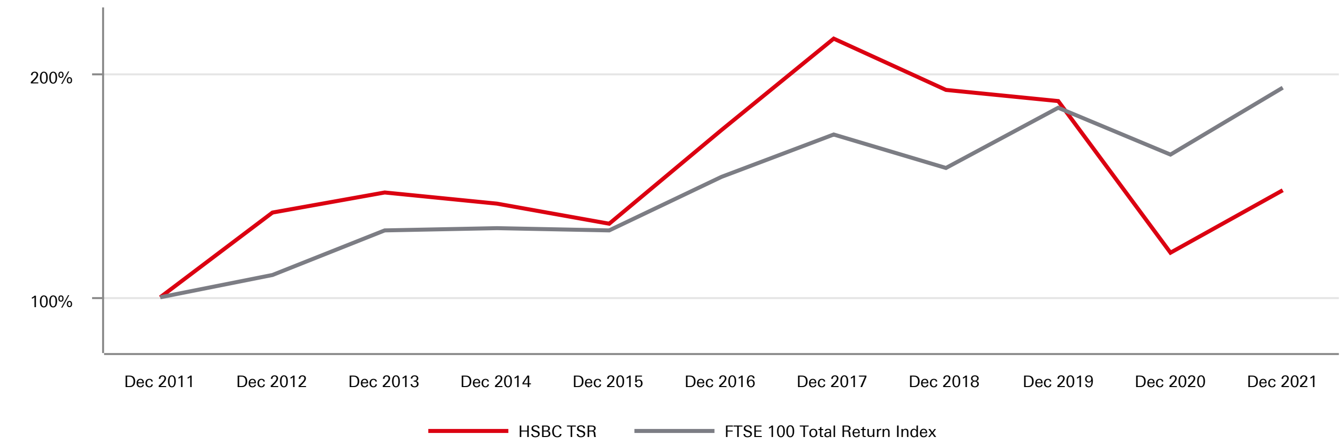
1 *The Group Chairman does not receive a base fee or any other fee in respect of chairing of the Nomination & Corporate Governance Committee.*

Summary of shareholder return and Group Chief Executive remuneration

The following graph shows HSBC TSR performance (based on the daily spot Return Index in sterling) against the FTSE 100 Total Return Index for the 10-year period ended 31 December 2021.

The FTSE 100 Total Return Index has been chosen as a recognised broad equity market index of which HSBC Holdings is a member. The single figure remuneration for the Group Chief Executive over the past 10 years, together with the outcomes of the respective annual incentive and LTI awards, are presented in the following table.

HSBC TSR and FTSE 100 Total Return Index



	2012	2013	2014	2015	2016	2017	2018		2019		2020	**2021**
Group Chief Executive	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	John Flint	John Flint	Noel Quinn	Noel Quinn	**Noel Quinn**
Total single figure £000	7,532	8,033	7,619	7,340	5,675	6,086	2,387	4,582	2,922	1,977	4,154	**4,895**
Annual incentive[1] (% of maximum)	52%	49%	54%	45%	64%	80%	76%	76%	61%	66%	32%	**57%**
Long-term incentive[1,2,3] (% of maximum)	40%	49%	44%	41%	–%	–%	100%	–%	–%	–%	–%	**– %**

1 *The 2012 annual incentive figure for Stuart Gulliver used for this table includes 60% of the annual incentive disclosed in the 2012 Directors' remuneration report, which was deferred for five years and subject to service conditions and satisfactory completion of the five-year deferred prosecution agreement with the US Department of Justice, entered into in December 2012 ('AML DPA') as determined by the Committee. The AML DPA performance condition was met and the award vested in 2018. The value of the award at vesting was included in the 2018 single figure of remuneration and included as long-term incentive for 2018.*

2 *Long-term incentive awards are included in the single figure for the year in which the performance period is deemed to be substantially completed. For Group Performance Share Plan ('GPSP') awards, this is the end of the financial year preceding the date of grant. GPSP awards shown in 2012 to 2015 are therefore related to awards granted in 2013 to 2016.*

3 *The GPSP was replaced by the LTI in 2016 and the value for GPSP is nil for 2016 as no GPSP award was made for 2016. LTI awards have a three-year performance period and the first LTI award was made in February 2017. The value of the LTI awards expected to vest will be included in the total single figure of remuneration of the year in which the performance period ends. Noel Quinn did not receive the 2018 LTI award that had a performance period ended on 31 December 2021.*

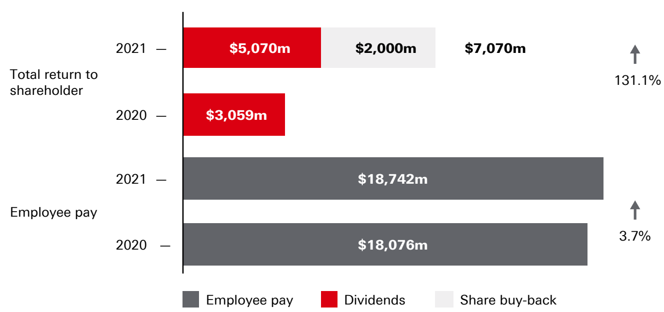
Relative importance of spend on pay

The following chart shows the change in:

- total staff pay between 2020 and 2021; and
- dividends and share buy-backs in respect of 2020 and 2021.

In 2021, total spend on pay was up from 2020, and the distribution to shareholders also increased from 2020 with the reinstatement of dividends (following the suspension of dividend payments during 2020) and the capital return to shareholders through the up to $2bn share buy-back announced in October 2021. In addition, the Group has announced the intention to initiate a further up to $1bn buy-back, to commence after the existing buy-back has concluded. Dividends include an approximation of the amount payable on 28 April 2022 in relation to the second interim dividend of $0.18 per ordinary share.

Relative importance of spend on pay



Our approach to workforce remuneration

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 the communities we serve, our shareholders and our regulators.

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	• We help managers to make informed, consistent and fair pay decisions. Variable pay for 92% of 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 make adjustments.
A culture of continuous feedback through manager and employee empowerment	• 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 66% of our colleagues saying that conversations with their managers across the year had a positive impact on their performance and 62% reporting 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	• 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 recognise 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 the expectations 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 recognise 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 deferrals and voluntary enrolment in an all-employee share plan.
Balanced, simple and transparent total reward packages, which support employee well-being	• 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. • All HSBC employees that work in a jurisdiction with a legal minimum wage are paid at or above this amount. In 2014, HSBC in the UK was formally accredited by the Living Wage Foundation for having adopted the 'Living Wage' and the 'London Living Wage'. In nine of our jurisdictions where a 'living wage' has been defined, our employees are paid at or above that level. We also undertake regular reviews of equal pay for gender. • As part of our commitment to the World Economic Forum ('WEF') metrics on measuring stakeholder capitalism, we review entry level wages in key markets to compare both men and women against the local minimum wage. This provided an indication of fairness at point of career entry. We have included data from the UK, US and Mexico where we have sufficient entry-level colleagues and good quality gender disclosures to allow for meaningful analysis (see table below). In line with expectations, the data shows broad consistency between male and female outcomes.

Average standard entry level vs. minimum wage by gender as at 31 December 2021

Market	Male	Female	All
UK	115%	114%	114%
US	153%	162%	158%
Mexico	259%	250%	254%

To calculate the above, we have used an average of annualised fixed pay to allow for a like-for-like comparison to include colleagues who work part-time. For colleagues based in the UK, we have compared the entry level wage against the UK national minimum wage. For the US, our comparison is against the respective state minimum wage, which is slightly higher than the federal minimum wage. In Mexico, we have used the minimum wage, which is regulated by the National Minimum Wage Commission.

Supporting colleagues in 2021

The well-being of our people remained a critical focus, in particular as the operating environment continued to be challenging for many colleagues and their families. The pandemic was a key influence on our activities during the year and our country-based approach allowed us to respond quickly and flexibly to specific situations in each of our markets. In India, we took urgent steps during the second wave of the pandemic to help our colleagues and their dependants with access to support via a Covid-19 taskforce consisting of employee volunteers working in collaboration with partners. Our offices in India were set up to manage vaccination drives for employees and their families and we provided financial support to local non-profit organisations delivering the relief effort on the ground.

Our global well-being programme covered three pillars: mental, physical and financial well-being. Despite the immense challenges, sentiment remained high. A total of 82% of colleagues rated their mental well-being as positive, 75% rated their physical well-being positively and 64% of colleagues reported their financial well-being as positive in our December survey.

Our survey suggests that work-life balance has improved, with 76% of colleagues saying they can integrate their work and personal life positively, compared with 74% in 2020.

The pandemic offered us the opportunity to take the best of what we learnt and rethink the future of work. To support our approach, we created three guiding principles:

- Customer focus: We aim to make sure the way we work helps deliver the best commercial outcomes for our customers.
- Team commitment: We will connect with each other, build our community and collaborate.
- Flexibility: We will provide our colleagues with more choice on how, when and where we work, suitable to the roles we do.

Considering the challenges colleagues faced, it was encouraging to see that check-ins happened regularly, with 60% of colleagues having frequent conversations with their managers, an increase from 56% in 2020. Our colleagues tell us that these have a positive impact on their performance, development and well-being, and are important in motivating them to perform at their best.

We also measure our colleagues' sentiment on performance and pay matters through our annual pay review surveys. In the most recent survey, a significant proportion of the respondents' comments indicated they believed they were paid fairly for what they do. It also highlighted challenges on market positions and potential retention issues in certain areas. Noting this sentiment of our colleagues, the extraordinarily competitive market for talent and material improvement in the Group's financial performance, we agreed a Group variable pay pool of $3,495m. This was determined using our countercyclical funding methodology under which a ceiling is used to limit the increase in variable pay pool at higher levels of performance. Therefore, while adjusted profit before tax rose 79%, the year-on-year increase in Group variable pay pool was 31%, following a reduction of 20% in 2020. In addition, fixed pay increases were targeted towards junior colleagues to help address the impact of rising inflation in many of our locations.

Throughout the year we also recognise our colleagues for demonstrating our values. The 'At Our Best' recognition online platform allows for real-time recognition and communication of positive behaviours by colleagues, in line with our refreshed purpose and values. We ran a special 'Spotlight on valuing difference' campaign to recognise the exceptional actions of our colleagues in being empathetic, championing inclusivity, listening and seeking out different perspectives. An additional points budget was allocated and there were over 130,000 recognitions during the campaign.

Remuneration structure for Group employees

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

Overview of remuneration structure for employees

Remuneration components and objectives	Application for Group employees	Approach for executive Directors
Fixed pay Attract and retain employees with market competitive pay for the role, skills and experience required.	• May include salary, fixed pay allowance, cash in lieu of pension and other cash allowances in accordance with local market practice. • Based on predetermined criteria, non-discretionary, transparent and not reduced based on performance. • Represents a higher proportion of total compensation for more junior employees. • May change to reflect an individual's position, role or grade, cost of living in the country, individual skills, capabilities and experience. • Fixed pay is generally delivered in cash on a monthly basis.	• Consistent with approach for Group colleagues except fixed pay allowance paid in shares.
Benefits Support the physical, mental and financial health of a diverse workforce in accordance with local market practice.	• Benefits may include, but are not limited to, the provision of a pension, medical insurance, life insurance, health assessment and relocation support.	• Provision of medical insurance, life insurance, car and tax return assistance. Group Chief Executive is eligible to receive accommodation and a car benefit in Hong Kong.
Annual incentive Incentivise and reward performance based on annual financial and non-financial measures consistent with the medium- to long-term strategy, stakeholder interests and values-aligned behaviours.	• 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 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 23 May 2014 (98% in favour). • Awards are generally paid in cash and shares. For MRTs, at least 50% of the awards are in shares and/or where required by regulations, in units linked to asset management funds.	• Annual incentive is determined based on the outcomes of annual scorecard of financial and non-financial measures. • Executive Directors and Group Executives are also eligible to be considered for a long-term incentive award, which is subject to three-year forward-looking performance measures. See details on page 257.

Overview of remuneration structure for employees (continued)

Remuneration components and objectives	Application for Group employees	Approach for executive Directors
Deferral Align employee interests with the medium- to long-term strategy, stakeholder interests and values-aligned behaviours.	• 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. • A deferral period of seven years is applied for individuals in PRA-designated senior management functions. • 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. • Individuals based outside the UK and identified as MRTs under local regulations, would be subject to local requirements where necessary. • 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 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 and local MRTs, excluding executive Directors where deferral is typically in the form of shares only, a minimum of 50% of the deferred awards is in HSBC shares and the balance is deferred into cash. Local regulatory requirements would also apply where necessary. • For some employees in our asset management business, where required by the regulations applicable to asset management entities within the Group, at least 50% of the deferred award is linked to fund units reflective of funds managed by those entities, with the remaining portion of deferred awards being in the form of deferred cash awards. • Variable pay awards made in HSBC shares or linked to relevant fund units granted to MRTs are generally subject to a one-year retention period post-vesting. • 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.	• All of the LTI award, or at least 60% of the total variable award (including LTI), is deferred. The deferred awards will vest in five equal annual instalments, with the first vesting on or around the third anniversary of the grant date and the last instalment vesting on or around the seventh anniversary of the grant date. • All deferred awards are in HSBC shares and subject to a post-vesting retention period of one year.
Buy-out awards Support recruitment of key individuals.	• 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.	• For new hires, the approach is consistent with the approach taken for employees and policy approved by shareholders.
Guaranteed variable remuneration Support recruitment of key individuals.	• 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.	• For new hires, the approach is consistent with the approach taken for employees and policy approved by shareholders.
Severance payments Adhere to contractual agreements with involuntary leavers.	• 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.	• Any payments will be in line with the policy on loss of office as noted on page 274.

Link between risk, performance and reward

Our remuneration practices promote sound and effective risk management while supporting our business objectives and the delivery of our strategy.

We set out below the key features of our framework, which help enable us to achieve alignment between risk, performance and reward, subject to compliance with local laws and regulations:

Alignment between risk and reward

Framework elements	Application
Variable pay pool	The Group variable pay pool is expected to move in line with Group performance, based on a range of financial, non-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 recognises that even in challenging times, remaining competitive is important. The ceiling recognises 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. The main quantitative and qualitative performance and risk metrics used for assessment of performance include: • Group and business unit financial performance, including capital requirements; • current and future risks, taking into consideration performance against the risk appetite, 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. 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	• 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	• 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 for the Group Chief Risk and Compliance Officer and Group Head of Internal Audit. • 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	• Variable pay awards may be adjusted downwards in circumstances including: – 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 programme, At Our Best, or positive adjustments to variable pay awards.
Malus	Malus can be applied to unvested deferred awards granted in prior years in circumstances including: • 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	Clawback can be applied to vested or paid awards granted to MRTs on or after 1 January 2015 for a period of seven years, extended to 10 years for employees in PRA and FCA designated senior management functions in the event of ongoing internal/regulatory investigation at the end of the seven-year period. Clawback may be applied in circumstances including: • 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	• We generally do not operate commission-based sales plans.
Identification of MRTs	• 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: – 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.

Comparison of Directors' and employees' pay

The following table compares the changes in each Director's salary, taxable benefits and annual incentive between 2020 and 2021 with the percentage change in each of those elements of pay for UK-based employees of HSBC Group Management Services Limited, the employing entity of the executive Directors.

There were no changes to the fees or benefits of the non-executive Directors between 2021 and 2020. The year-on-year percentage change in fees noted in the table below is primarily driven by any pro-rated fees received by the non-executive Director for 2021 and/or 2020 based on time served by them on the Board and the relevant Board committees and any additional responsibilities taken on by the non-executive Director during each year. The value of benefits received by the non-executive Directors reflect the taxable expense reimbursements claimed, and the associated gross-up tax, in relation to attending the Board meetings in each year. Non-executive Directors who joined after 1 January 2021 are not included.

Annual percentage change in remuneration

	2020			2021		
Director/employees	**Base salary/fees**	**Benefits**	**Annual incentive**	**Base salary/fees**	**Benefits**	**Annual incentive[2]**
Executive Directors						
Noel Quinn[1]	151.7%	353.7%	20.2%	1.7%	-48.9%	99.0%
Ewen Stevenson	2.6%	-25.0%	-58.4%	1.8%	-75.0%	117.3%
Non-executive Directors[3]						
Kathleen Casey (retired on 24 April 2020)	-65.0%	200.0%	-	-	-	-
Laura Cha[4]	97.0%	-	-	-58.8%	-	-
Henri de Castries[4,5]	4.1%	-75.0%	-	-59.4%	2,100.0%	-
James Forese[6]	-	-	-	257.5%	-	-
Steven Guggenheimer[7]	-	-	-	86.6%	-	-
Irene Lee	20.3%	-100.0%	-	1.8%	-	-
José Antonio Meade Kuribreña[8]	28.7%	100.0%	-	10.4%	-100.0%	-
Heidi Miller[4,5]	1.1%	-100.0%	-	-60.3%	171.4%	-
Eileen Murray[7]	-	-	-	121.7%	-	-
David Nish	108.7%	-50.0%	-	0.4%	25.0%	-
Sir Jonathan Symonds (retired on 18 February 2020)	-86.5%	-4.8%	-	-	-	-
Jackson Tai[8]	-10.8%	-78.9%	-	-1.4%	-100.0%	-
Mark Tucker	-	-77.5%	-	-	-36.5%	-
Pauline van der Meer Mohr[8]	17.7%	-75.0%	-	-6.7%	-100.0%	-
Employee group[9]	**2.0%**	**2.3%**	**-20.0%**	**1.0%**	**1.3%**	**25.2%**

1 *Noel Quinn succeeded John Flint as interim Group Chief Executive with effect from 5 August 2019 and was appointed permanently into the role on 17 March 2020. The annual percentage change in 2020 for Noel Quinn is based on remuneration reported in his 2019 single figure of remuneration (for the period 5 August 2019 to 31 December 2019) and his 2020 single figure of remuneration (for the period 1 January 2020 to 31 December 2020). Based on his annualised 2019 compensation as an executive Director, his percentage change in salary, benefits and annual incentive was 2.1%, 85.2% and -50.9%, respectively for 2020.*

2 *Noel Quinn and Ewen Stevenson both voluntarily waived the cash portion of their 2020 annual incentive. The year-on-year percentage change between 2020 and 2021 would be -1% for Noel Quinn and 9% for Ewen Stevenson without this cash waiver.*

3 *In some instances, non-executive Directors may have served only part of the year resulting in large year-on-year percentage changes in fees and/ or benefits. Page 275 provides the underlying single figure of remuneration for non-executive Directors used to calculate the figures above.*

4 *Retired from the Board during 2021 and therefore fees received during 2021 were lower than the fees received in 2020.*

5 *There was no change to the benefit provided. The year-on-year change reflected the increase in taxable expense reimbursement claimed in 2021 for attending Board and other meetings at HSBC Holdings' registered offices.*

6 *In 2021, James Forese was appointed as non-executive Chair of HSBC North America Holdings, Inc. Fees for 2021 included fees in relation to this role.*

7 *Joined the Board during 2020 and therefore received fees for only part of 2020.*

8 *Received no taxable benefits in 2021, resulting in a 100% reduction from 2021.*

9 *Employee group consists of individuals employed by HSBC Group Management Services Ltd, the employing entity of the executive Directors, as no individuals are employed directly by HSBC Holdings.*

Pay ratio

The following table shows the ratio between the total pay of the Group Chief Executive and the lower quartile, median and upper quartile pay of our UK employees.

Total pay ratio

	Method	Lower quartile	Median	Upper quartile
2021	A	154:1	90:1	46:1
2020	A	139:1	85:1	43:1
2019	A	169:1	105:1	52:1

Total pay and benefits amounts used to calculate the ratio

		Lower quartile		Median		Upper quartile	
(£)	Method	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary
2021	A	31,727	27,666	54,678	41,500	106,951	84,000
2020	A	29,833	23,264	48,703	36,972	96,386	75,000
2019	A	28,920	24,235	46,593	41,905	93,365	72,840

The increase in median ratio is primarily driven by a higher annual incentive payout than 2020 when the Group Chief Executive voluntarily decided to waive the cash portion of his annual incentive award and we protected the outcomes for junior colleagues against material year-on-year volatility when the Group variable pay pool was down 20%. The 2021 annual incentive award of the Group Chief Executive was higher than in 2020, reflecting the improvement in the financial performance of the Group and execution of our strategy at pace.

The total pay and benefits for the median employee for 2021 was £54,678, a 12.3% increase compared with 2020.

Our UK workforce comprises a diverse mix of employees across different businesses and levels of seniority, from junior cashiers in our retail branches to senior executives managing our global business units. We aim to deliver market-competitive pay for each role, taking into consideration the skills and experience required for the business. Our approach to pay is designed to attract and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. We actively promote learning and development opportunities for our employees to provide a framework for them to develop their career. To help people to develop skills for the changing world around us, we launched Future Skills in September 2021, supporting colleagues to explore new personal, digital, data and sustainability skills through a series of learning activities and events. As an individual progresses in their career we would expect their total compensation opportunity to also increase, reflecting their role and responsibilities.

Pay structure varies across roles in order to deliver an appropriate mix of fixed and variable pay. Junior employees have a greater portion of their pay delivered in a fixed component, which does not vary with performance and allows them to predictably meet their day-to-day needs. Our senior management, including executive Directors, generally have a higher portion of their total compensation opportunity structured as variable pay and linked to the performance of the Group, given their role and ability to influence the strategy and performance of the Group. Executive Directors also have a higher proportion of their variable pay delivered in shares, which vest over a period of seven years with a post-vesting retention period of one year. During this deferral and retention period, the awards are linked to the share price so the value of award realised by them after the vesting and retention period will be aligned to the performance of the Group.

We are satisfied that the median pay ratio is consistent with the pay, reward and progression policies for our UK workforce, taking into account the diverse mix of our UK employees, the compensation structure mix applicable to each role and our objective of delivering market competitive pay for each role subject to Group, business and individual performance.

Our ratios have been calculated using the option 'A' methodology prescribed under the UK Companies (Miscellaneous Reporting) Regulations 2018. Under this option, the ratios are calculated using full-time equivalent pay and benefits of all employees providing services in the UK at 31 December 2021. We believe this approach provides accurate information and representation of the ratios. The ratio has been computed taking into account the pay and benefits of over 37,000 UK employees, other than the individual performing the role of Group Chief Executive. We calculated our lower quartile, median and upper quartile pay and benefits information for our UK employees using:

- full-time equivalent annualised fixed pay, which includes salary and allowances, at 31 December 2021;
- variable pay awards for 2021;
- return on deferred cash awards granted in prior years. The deferred cash portion of the annual incentive granted in prior years includes a right to receive notional returns for the period between the grant date and vesting date, which is determined by reference to a rate of return specified at the time of grant. A payment of notional return is made annually and the amount is disclosed on a paid basis in the year in which the payment is made;
- gains realised from exercising awards from taxable employee share plans; and
- full-time equivalent value of taxable benefits and pension contributions.

For this purpose, full-time equivalent fixed pay and benefits for each employee have been calculated by using each employee's fixed pay and benefits at 31 December 2021. Where an employee works part-time, fixed pay and benefits are grossed up, where appropriate, to full-time equivalent. One-off benefits provided on a temporary basis to employees on secondment to the UK have not been included in calculating the ratios as these are not permanent in nature and in some cases, depending on individual circumstances, may not truly reflect a benefit to the employee.

Total pay and benefits for the Group Chief Executive used for this purpose is the total remuneration for Noel Quinn as reported in the single figure of remuneration table. Total remuneration does not include an LTI as he has not received an LTI award with a performance period that ended during 2021. In a year in which the value of an LTI is included in the single figure table of remuneration, the ratios could be higher.

Given the different business mix, size of the business, methodologies for computing pay ratios, estimates and assumptions used by other companies to calculate their respective pay ratios, as well as differences in employment and compensation practices between companies, the ratios reported may not be comparable to those reported by other listed peers on the FTSE 100 and our international peers.

Additional regulatory remuneration disclosures

This section provides disclosures required under the Hong Kong Ordinances, Hong Kong Listing Rules and the Pillar 3 remuneration disclosures.

For the purpose of the Pillar 3 remuneration disclosures, executive Directors and non-executive Directors are considered to be members of the management body. Members of the Group Executive Committee other than the executive Directors are considered as senior management.

MRT remuneration disclosures

The following tables set out the remuneration disclosures for individuals identified as MRTs for HSBC Holdings.

Remuneration information for individuals who are only identified as MRTs at HSBC Bank plc, HSBC UK Bank plc or other solo-regulated entity levels is included, where relevant, in those entities' disclosures.

The 2021 variable pay information included in the following tables is based on the market value of awards. For share awards, the market value is based on HSBC Holdings' share price at the date of grant (unless indicated otherwise). For cash awards, it is the value of awards expected to be paid to the individual over the deferral period.

Remuneration awarded for the financial year (REM1)

		Supervisory function	Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	**14.0**	**2.0**	**22.9**	**1,020.7**
	Total fixed pay ($m)	**7.2**	**6.9**	**48.9**	**619.6**
	Of which: cash-based ($m)[1]	***7.2***	***3.1***	***48.9***	***619.6***
	Of which: shares or equivalent ownership interests ($m)[2]	—	***3.8***	—	—
	Of which: share-linked instruments or equivalent non-cash instruments ($m)	—	—	—	—
	Of which: other instruments ($m)	—	—	—	—
	Of which: other forms ($m)	—	—	—	—
Variable remuneration[3]	Number of identified staff	**14.0**	**2.0**	**22.9**	**1,020.7**
	Total variable remuneration ($m)[4,5]	—	**15.1**	**76.3**	**637.5**
	Of which: cash-based ($m)	—	***1.8***	***27.1***	***307.2***
	Of which: deferred ($m)	—	—	***16.2***	***161.6***
	Of which: shares or equivalent ownership interests ($m)[2]	—	***13.3***	***49.2***	***318.1***
	Of which: deferred ($m)	—	***11.5***	***38.3***	***178.2***
	Of which: share-linked instruments or equivalent non-cash instruments ($m)	—	—	—	***8.8***
	Of which: deferred ($m)	—	—	—	***4.7***
	Of which: other instruments ($m)	—	—	—	—
	Of which: deferred ($m)	—	—	—	—
	Of which: other forms ($m)	—	—	—	***3.4***
	Of which: deferred ($m)	—	—	—	***2.1***
Total remuneration ($m)		**7.2**	**22.0**	**125.2**	**1,257.1**

1 *Cash-based fixed remuneration is paid immediately.*
2 *Paid in HSBC shares. Vested shares are subject to a retention period of up to one year.*
3 *Variable pay awarded in respect of 2021. In accordance with shareholder approval received on 23 May 2014 (98% in favour), for each MRT the variable component of remuneration for any one year is limited to 200% of fixed component of the total remuneration.*
4 *The Group has used the discount rate under PRA remuneration rule 15.13 for 15 individuals for the purpose of calculating the ratio between fixed and variable components of 2021 total remuneration.*
5 *13 identified staff members were exempt from the application of the remuneration structure requirements for MRTs under the PRA and FCA remuneration rules. Their total remuneration is $4.2m, of which $3.6m is fixed pay and $0.6m is variable remuneration.*

Special payments to staff whose professional activities have a material impact on institutions' risk profile (REM2)

	Supervisory function	Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards[1]				
Number of identified staff	—	—	—	—
Total amount ($m)	—	—	—	—
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap ($m)	—	—	—	—
Severance payments awarded in previous periods, that have been paid out during the financial year[2]				
Number of identified staff	—	—	—	—
Total amount ($m)	—	—	—	—
Severance payments awarded during the financial year[2]				
Number of identified staff	—	—	—	**64.6**
Total amount ($m)	—	—	—	**68.2**
Of which paid during the financial year ($m)	—	—	—	***54.3***
Of which deferred ($m)	—	—	—	—
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap ($m)	—	—	—	***68.2***
Of which highest payment that has been awarded to a single person ($m)	—	—	—	***5.0***

1 *No guaranteed variable remuneration was awarded in 2021. HSBC would offer a guaranteed variable remuneration award in exceptional circumstances for new hires, and for the first year of employment only. It 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.*
2 *Includes payments such as payment in lieu of notice, statutory severance, outplacement service, legal fees, ex-gratia payments and settlements (excludes pre-existing benefit entitlements triggered on terminations).*

Deferred remuneration at 31 December[1] (REM3)

$m	Total amount of deferred remuneration awarded for previous performance periods	*Of which: due to vest in the financial year*	*Of which: vesting in subsequent financial years*	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Supervisory function	—	—	—	—	—	—	—	—
Cash-based	—	—	—	—	—	—	—	—
Shares	—	—	—	—	—	—	—	—
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Management function	24.7	*1.9*	*22.8*	—	—	2.0	1.9	0.2
Cash-based	3.5	*0.3*	*3.2*	—	—	—	0.3	—
Shares	21.2	*1.6*	*19.6*	—	—	2.0	1.6	0.2
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other senior management	82.5	*13.2*	*69.3*	—	—	4.6	13.3	1.8
Cash-based	40.2	*7.2*	*33.0*	—	—	—	7.2	—
Shares	40.6	*4.9*	*35.7*	—	—	4.3	5.0	1.3
Share-linked instruments	1.7	*1.1*	*0.6*	—	—	0.2	1.1	0.5
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	0.1	—	—
Other identified staff	717.9	*173.0*	*544.9*	—	—	39.8	175.4	35.6
Cash-based	349.9	*94.3*	*255.6*	—	—	—	95.3	—
Shares	350.4	*70.4*	*280.0*	—	—	38.5	71.6	31.8
Share-linked instruments	11.8	*5.4*	*6.4*	—	—	1.0	5.5	2.0
Other instruments	—	—	—	—	—	—	—	—
Other forms	5.8	*2.9*	*2.9*	—	—	0.3	3.0	1.8
Total amount	825.1	*188.1*	*637.0*	—	—	46.4	190.6	37.6

1 *This table provides details of balances and movements during performance year 2021. For details of variable pay awards granted for 2021, refer to the 'Remuneration awarded for the financial year' table. Deferred remuneration is made in cash and/or shares. Share-based awards are made in HSBC shares.*

Identified staff - remuneration by band[1] (REM4)

	Identified staff that are high earners as set out in Article 450(i) CRR
€1,000,000 – 1,500,000	243
€1,500,000 – 2,000,000	85
€2,000,000 – 2,500,000	54
€2,500,000 – 3,000,000	25
€3,000,000 – 3,500,000	11
€3,500,000 – 4,000,000	8
€4,000,000 – 4,500,000	6
€4,500,000 – 5,000,000	5
€5,000,000 – 6,000,000	4
€6,000,000 – 7,000,000	4
€7,000,000 – 8,000,000	3
€8,000,000 – 9,000,000	—
€9,000,000 – 10,000,000	2
€10,000,000 – 11,000,000	—
€11,000,000 – 12,000,000	1

1 *Table prepared in euros in accordance with Article 450 of the European Union Capital Requirements Regulation, using the exchange rates published by the European Commission for financial programming and budget for December of the reported year as published on its website.*

Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (REM5)

	Management body			Business areas						
	Supervisory function	Management function	Total	Investment banking	Retail banking	Asset management	Corporate function	Independent internal control function	All other	Total
Total number of identified staff										**1,059.6**
Of which members of the Board	***14.0***	***2.0***	***16.0***							
Of which senior management				***2.0***	***3.0***	***—***	***7.9***	***4.0***	***6.0***	
Of which other identified staff				***504.5***	***162.0***	***30.0***	***110.6***	***142.6***	***71.0***	
Total remuneration of identified staff ($m)	**7.2**	**22.0**	**29.2**	**741.3**	**186.3**	**39.7**	**167.3**	**118.7**	**129.0**	
Of which variable remuneration ($m)[1]	***—***	***15.1***	***15.1***	***410.7***	***87.5***	***21.0***	***82.8***	***48.5***	***63.3***	
Of which fixed remuneration ($m)	***7.2***	***6.9***	***14.1***	***330.6***	***98.8***	***18.7***	***84.5***	***70.2***	***65.7***	

1 *Variable pay awarded in respect of 2021. In accordance with shareholder approval received on 23 May 2014 (98% in favour), for each MRT the variable component of remuneration for any one year is limited to 200% of fixed component of the total remuneration.*

Directors' emoluments

The details of compensation paid to executive and non-executive Directors for the year ended 31 December 2021 are set out below.

Emoluments

	Noel Quinn		Ewen Stevenson		Non-executive Directors	
	2021	2020	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000	**£000**	£000
Directors' base salary, allowances and benefits in kind	**3,283**	3,338	**1,933**	1,806		
Non-executive Directors' fees and benefits in kind					**5,314**	5,309
Pension contributions	**—**	—	**—**	—	**—**	—
Performance-related pay paid or receivable[1]	**5,721**	4,517	**3,388**	2,568	**—**	—
Inducements to join paid or receivable	**—**	—	**754**	1,431	**—**	—
Compensation for loss of office	**—**	—	**—**	—	**—**	—
Notional return on deferred cash	**22**	17	**—**	—	**—**	—
Total	**9,026**	7,872	**6,075**	5,805	**5,314**	5,309
Total ($000)	**12,414**	10,097	**8,356**	7,446	**7,309**	7,063

1 *Includes the value of the deferred and LTI awards at grant.*

The aggregate amount of Directors' emoluments (including both executive Directors and non-executive Directors) for the year ended 31 December 2021 was $28,079,057. As per our policy, benefits in kind may include, but are not limited to, the provision of medical insurance, income protection insurance, health assessment, life assurance, club membership, tax assistance, car benefit, travel assistance, provision of company owned-accommodation and relocation costs (including any tax due on these benefits, where applicable). Post-employment medical insurance benefit was provided to former Directors, including Douglas Flint valued at £6,477 ($8,909), Stuart Gulliver valued at £6,477 ($8,909), John Flint valued at £10,303 ($14,171), and Marc Moses valued at £15,310 ($21,058). Tax return support was also provided to John Flint £8,292 ($11,405), and Marc Moses £2,500 ($3,439). The total aggregate value of benefits provided to former executive Directors was £49,359 ($67,891). The aggregate value of Director retirement benefits for current Directors is nil. Amounts are converted into US dollars based on the average year-to-date exchange rates for the respective year.

There were payments under retirement benefit arrangements with two former Directors of $435,131. The provision at 31 December 2021 in respect of unfunded pension obligations to former Directors amounted to $8,162,646. This relates to unfunded unapproved retirement benefits schemes.

Emoluments of senior management and five highest paid employees

The following tables set out the details of emoluments paid to senior management, which in this case comprises executive Directors and members of the Group Executive Committee, for the year ended 31 December 2021, or for the period of appointment in 2021 as a Director or member of the Group Executive Committee. Details of the remuneration paid to the five highest paid employees, comprising one executive Director and four Group Executives, for the year ended 31 December 2021, are also presented.

Emoluments

£000s	**Five highest paid employees**	**Senior management**
Basic salaries, allowances and benefits in kind	**13,070**	**37,816**
Pension contributions	**22**	**303**
Performance-related pay paid or receivable[1]	**21,870**	**54,033**
Inducements to join paid or receivable	**6,388**	**7,039**
Compensation for loss of office	**—**	**—**
Total	**41,350**	**99,191**
Total ($000)	**56,873**	**136,428**

1 *Includes the value of deferred shares awards at grant.*

Emoluments by bands

Hong Kong dollars	US dollars	Number of highest paid employees	Number of senior management
$0 – $1,000,000	$0 – $128,652	—	1
$5,000,001 – $5,500,000	$643,262 – $707,588	—	1
$6,000,001 – $6,500,000	$771,915 – $836,241	—	1
$12,500,001 – $13,000,000	$1,608,156 – $1,672,482	—	1
$14,000,001 – $14,500,000	$1,801,134 – $1,865,461	—	1
$19,000,001 – $19,500,000	$2,444,397 – $2,508,723	—	1
$24,500,001 – $25,000,000	$3,151,985 – $3,216,311	—	1
$25,500,001 – $26,000,000	$3,280,638 – $3,344,964	—	1
$26,500,001 – $27,000,000	$3,409,290 – $3,473,616	—	2
$27,500,001 – $28,000,000	$3,537,943 – $3,602,269	—	1
$38,000,001 – $38,500,000	$4,888,793 – $4,953,119	—	1
$39,500,001 – $40,000,000	$5,081,772 – $5,146,098	—	1
$40,000,001 – $40,500,000	$5,146,098 – $5,210,424	—	1
$41,500,001 – $42,000,000	$5,339,077 – $5,403,403	—	1
$42,000,001 – $42,500,000	$5,403,403 – $5,467,729	—	1
$45,500,001 – $46,000,000	$5,853,687 – $5,918,013	—	1
$56,500,001 – $57,000,000	$7,268,864 – $7,333,190	—	1
$58,000,001 – $58,500,000	$7,461,842 – $7,526,168	—	1
$65,500,001 – $66,000,000	$8,426,736 – $8,491,062	—	1
$68,000,001 – $68,500,000	$8,748,367 – $8,812,693	1	1
$76,500,001 – $77,000,000	$9,841,913 – $9,906,239	1	1
$77,500,001 – $78,000,000	$9,970,565 – $10,034,891	1	1
$96,000,001 – $96,500,000	$12,350,636 – $12,414,962	1	1
$122,500,001 – $123,000,000	$15,759,926 – $15,824,252	1	1

Share capital and other related disclosures

Share buy-back programme

On 26 October 2021, HSBC Holdings commenced a share buy-back to purchase its ordinary shares of $0.50 each up to a maximum consideration of $2.0bn. This programme will end no later than 20 April 2022. The purpose of the programme is to reduce HSBC's number of outstanding ordinary shares. As at 31 December 2021, 120,366,714 ordinary shares had been purchased and cancelled representing a nominal value of $60,183,357 and an aggregate consideration paid by HSBC of £524,301,527. The shares cancelled represented 0.58% of the shares in issue and 0.59% of the shares in issue, excluding treasury shares.

The table that follows outlines details of the shares purchased and cancelled on a monthly basis during 2021.

Month	Number of shares	Highest price paid per share £	Lowest price paid per share £	Average price paid per share £	Aggregate price paid £
Share buy-back of 2021					
Oct-21	5,260,011	4.4800	4.4155	4.4553	23,435,159
Nov-21	67,010,270	4.4750	4.1525	4.3602	292,178,124
Dec-21	48,096,433	4.5280	4.0990	4.3390	208,688,243
	120,366,714				524,301,527

Dividends

Dividends for 2021

An interim dividend of $0.07 for the 2021 half-year was paid on 30 September 2021. For further details of the dividends approved in 2021, see Note 8 on the financial statements.

On 22 February 2022, the Directors approved a second interim dividend for 2021 of $0.18 per ordinary share, making a total of $0.25 for the 2021 full year. The second interim dividend for 2021 will be payable on 28 April 2022 in cash in US dollars, or in sterling or Hong Kong dollars at exchange rates to be determined on 19 April 2022. As the second interim dividend for 2021 was approved after 31 December 2021, it has not been included in the balance sheet of HSBC as a liability. The distributable reserves of HSBC Holdings at 31 December 2021 were $32.2bn.

A quarterly dividend of £0.01 per Series A sterling preference share was paid on 15 March, 15 June, 15 September and 15 December 2021. The Series A dollar preference shares were redeemed on 13 January 2021.

Dividends for 2022

The Group has reviewed whether it will revert to paying quarterly dividends and is currently not intending to pay quarterly dividends during 2022. The Group will continue to review whether to revert to paying quarterly dividends in future years, and a further update will be given at or ahead of the 2022 results announcement in February 2023.

A dividend of £0.01 per Series A sterling preference share was approved on 22 February 2022 for payment on 15 March 2022.

Share capital

Issued share capital

The nominal value of HSBC Holdings' issued share capital paid up at 31 December 2021 was $10,315,760,219.50 divided into 20,631,520,439 ordinary shares of $0.50 each and one non-cumulative preference share of £0.01, representing approximately 100.00% and 0.00% respectively of the nominal value of HSBC Holdings' total issued share capital paid up at 31 December 2021. The 1,450,000 non-cumulative preference shares of $0.01 each were redeemed on 13 January 2021.

Rights, obligations and restrictions attaching to shares

The rights and obligations attaching to each class of ordinary and non-cumulative preference shares in our share capital are set out in full in our Articles of Association. The Articles of Association may be amended by special resolution of the shareholders and can be found on our website at www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities.

Ordinary shares

HSBC Holdings has one class of ordinary share, which carries no right to fixed income. There are no voting restrictions on the issued ordinary shares, all of which are fully paid. On a show of hands, each member present has the right to one vote at general meetings. On a poll, each member present or voting by proxy is entitled to one vote for every $0.50 nominal value of share capital held.

There are no specific restrictions on transfers of ordinary shares, which are governed by the general provisions of the Articles of Association and prevailing legislation.

Information on the policy adopted by the Board for paying interim dividends on the ordinary shares may be found in the 'Shareholder information' section on page 397.

Dividend waivers

HSBC Holdings' employee benefit trusts, which hold shares in HSBC Holdings in connection with the operation of its share plans, have lodged standing instructions to waive dividends on shares held by them that have not been allocated to employees. Shares held by custodians in connection with the vesting of employee share awards also lodged instructions to waive dividends. The total amount of dividends waived during 2021 was $6.8m.

Preference shares

The preference shares, which have preferential rights to income and capital, do not, in general, confer a right to attend and vote at general meetings.

There are three classes of preference shares in the share capital of HSBC Holdings: non-cumulative US dollar preference shares of $0.01 each ('dollar preference shares'); non-cumulative preference shares of £0.01 each ('sterling preference shares'); and non-cumulative preference shares of €0.01 ('euro preference shares').

The sterling preference share in issue is a Series A sterling preference share. There are no dollar preference shares or euro preference shares in issue.

Information on dividends approved for 2020 and 2021 may be found in Note 8 on the financial statements on page 340.

Further details of the rights and obligations attaching to the HSBC Holdings' issued share capital may be found in Note 31 on the financial statements.

Compliance with Hong Kong Listing Rule 13.25A(2)

HSBC Holdings has been granted a waiver from strict compliance with Rule 13.25A(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

Under this waiver, HSBC's obligation to file a Next Day Return following the issue of new shares, pursuant to the vesting of share awards granted under its share plans to persons who are not Directors, would only be triggered where it falls within one of the circumstances set out under Rule 13.25A(3).

Share capital changes in 2021

The following events occurred during the year in relation to the ordinary share capital of HSBC Holdings:

Scrip dividends

There were no scrip dividends issued during the year.

All-employee share plans

	Number	Aggregate nominal value	Exercise price from	Exercise price to
		$	£	£
HSBC Holdings Savings-Related Share Option Plan (UK)				
HSBC ordinary shares issued in £	3,197,834	1,598,917	2.627	4.4037
Options over HSBC ordinary shares lapsed	19,287,652	9,643,826		
Options over HSBC ordinary shares granted in response to approximately 11,183 applications from HSBC employees in the UK on 22 September 2021	15,410,381	7,705,191		

	HSBC Holdings ordinary shares issued	Aggregate nominal value	Market value per share from	Market value per share to
		$	£	£
HSBC International Employee Share Purchase Plan	283,004	141,502	3.5975	4.4995

HSBC share plans

	HSBC Holdings ordinary shares issued	Aggregate nominal value	Market value per share from	Market value per share to
		$	£	£
Vesting of awards under the HSBC Share Plan 2011	54,785,215	27,392,608	4.052	4.555

Authorities to allot and to purchase shares and pre-emption rights

At the AGM in 2021, shareholders renewed the general authority for the Directors to allot new shares up to 13,615,199,500 ordinary shares, 15,000,000 non-cumulative preference shares of £0.01 each, 15,000,000 non-cumulative preference shares of $0.01 each and 15,000,000 non-cumulative preference shares of €0.01 each. Shareholders also renewed the authority for the Directors to make market purchases of up to 2,042,279,925 ordinary shares. The Directors exercised this authority during the year and purchased 120,366,714 ordinary shares.

In addition, shareholders gave authority for the Directors to grant rights to subscribe for, or to convert any security into, no more than 4,084,559,850 ordinary shares in relation to any issue by HSBC Holdings or any member of the Group of contingent convertible securities that automatically convert into or are exchanged for ordinary shares in HSBC Holdings in prescribed circumstances. For further details on the issue of contingent convertible securities, see Note 31 on the financial statements.

Other than as disclosed in the tables above headed 'Share capital changes in 2021', the Directors did not allot any shares during 2020.

Debt securities

In 2021, HSBC Holdings issued the equivalent of $19.34bn of debt securities in the public capital markets in a range of currencies and maturities in the form of senior securities to ensure it meets the current and proposed regulatory rules, including those relating to the availability of adequate total loss-absorbing capacity. For details of capital instruments and subordinated bail-inable debt, see Notes 28 and 31 on pages 370 and 379.

Treasury shares

In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange on 19 December 2005, HSBC Holdings will comply with the applicable law and regulation in the UK in relation to the holding of any shares in treasury and with the conditions of the waiver in connection with any shares it may hold in treasury. At 31 December 2021, pursuant to Chapter 6 of the UK Companies Act 2006, 325,273,407 ordinary shares were held in treasury. This was the maximum number of shares held at any time during 2021, representing 1.58% of the shares in issue as at 31 December 2021. The nominal value of shares held in treasury was $162,636,704.

Notifiable interests in share capital

During 2021, HSBC Holdings did not receive any notification of major holdings of voting rights pursuant to the requirements of Rule 5 of the Disclosure, Guidance and Transparency Rules. No further notifications had been received between 31 December 2021 and 11 February 2022. Previous notifications received are as follows:

- BlackRock, Inc. gave notice on 3 March 2020 that on 2 March 2020 it had the following: an indirect interest in HSBC Holdings ordinary shares of 1,235,558,490; qualifying financial instruments with 7,294,459 voting rights that may be acquired if the instruments are exercised or converted; and financial instruments with a similar economic effect to qualifying financial instruments, which refer to 2,441,397 voting rights, representing 6.07%, 0.03% and 0.01%, respectively, of the total voting rights at 2 March 2020.
- Ping An Asset Management Co., Ltd. gave notice on 6 December 2017 that on 4 December 2017 it had an indirect interest in HSBC Holdings ordinary shares of 1,007,946,172, representing 5.04% of the total voting rights at that date.

At 31 December 2021, according to the register maintained by HSBC Holdings pursuant to section 336 of the Securities and Futures Ordinance of Hong Kong:

- BlackRock, Inc. gave notice on 1 September 2020 that on 27 August 2020 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,477,023,361 shares and a short position of 38,760,188 shares, representing 7.14% and 0.19%, respectively, of the ordinary shares in issue at that date.
- Ping An Asset Management Co., Ltd., gave notice on 25 September 2020 that on 23 September 2020 it had a long position of 1,655,479,531 in HSBC Holdings ordinary shares, representing 8.00% of the ordinary shares in issue at that date.

On 8 February 2022, pursuant to section 324 of Part XV of the Securities and Futures Ordinance of Hong Kong, BlackRock, Inc. gave notice that on 3 February 2022 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,638,892,657 shares and a short position of 13,731,141 shares, representing 7.96% and 0.07%, respectively, of the ordinary shares in issue at that date.

Sufficiency of float

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, at least 25% of the total issued share capital has been held by the public at all times during 2021 and up to the date of this report.

Dealings in HSBC Holdings listed securities

The Group has policies and procedures that, except where permitted by statute and regulation, prohibit specified transactions in respect of its securities listed on The Stock Exchange of Hong Kong Limited. Except for dealings as intermediaries or as trustees by subsidiaries of HSBC Holdings, neither HSBC Holdings nor any of its subsidiaries has purchased, sold or redeemed any of its securities listed on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2021.

Directors' interests

Pursuant to the requirements of the UK Listing Rules and according to the register of Directors' interests maintained by HSBC Holdings pursuant to section 352 of the Securities and Futures Ordinance of Hong Kong, the Directors of HSBC Holdings at 31 December 2021 had certain interests, all beneficial unless otherwise stated, in the shares or debentures of HSBC Holdings and its associated corporations.

Save as stated in the following table, no further interests were held by Directors, and no Directors or their connected persons were awarded or exercised any right to subscribe for any shares or debentures in any HSBC corporation during the year.

No Directors held any short position as defined in the Securities and Futures Ordinance of Hong Kong in the shares or debentures of HSBC Holdings and its associated corporations.

Directors' interests – shares and debentures

		At 31 Dec 2021 or date of cessation, if earlier				
	At 1 Jan 2021, or date of appointment, if later	Beneficial owner	Child under 18 or spouse	Jointly with another person	Trustee	Total interests
HSBC Holdings ordinary shares						
Laura Cha (retired on 28 May 2021)	16,200	16,200	–	–	–	16,200
Henri de Castries (retired on 28 May 2021)	19,251	19,251	–	–	–	19,251
Rachel Duan (appointed to the Board on 1 Sep 2021)	–	–	–	–	–	–
Dame Carolyn Fairbairn (appointed to the Board on 1 Sep 2021)	–	–	–	–	–	–
James Forese[1]	115,000	115,000	–	–	–	115,000
Steven Guggenheimer[1]	15,000	–	–	15,000	–	15,000
Irene Lee	11,904	15,000	–	–	–	15,000
José Antonio Meade Kuribreña[1]	15,000	15,000	–	–	–	15,000
Heidi Miller[1] (retired on 28 May 2021)	15,700	15,700	–	–	–	15,700
Eileen Murray[1]	75,000	75,000	–	–	–	75,000
David Nish	50,000	–	50,000	–	–	50,000
Noel Quinn[2]	778,958	1,131,278	–	–	–	1,131,278
Ewen Stevenson[2]	545,731	838,154	–	–	–	838,154
Jackson Tai[1,3]	66,515	32,800	11,965	21,750	–	66,515
Mark Tucker	307,352	307,352	–	–	–	307,352
Pauline van der Meer Mohr	15,000	15,000	–	–	–	15,000

1 *James Forese has an interest in 23,000, Steven Guggenheimer has an interest in 3,000, José Antonio Meade Kuribreña has an interest in 3,000, Heidi Miller has an interest in 3,140, Eileen Murray has an interest in 15,000 and Jackson Tai has an interest in 13,303 listed American Depositary Shares ('ADS'), which are categorised as equity derivatives under Part XV of the Securities and Futures Ordinance of Hong Kong. Each ADS represents five HSBC Holdings ordinary shares.*

2 *Executive Directors' other interests in HSBC Holdings ordinary shares arising from the HSBC Holdings Savings-Related Share Option Plan (UK) and the HSBC Share Plan 2011 are set out in the Scheme interests in the Directors' remuneration report on page 254. At 31 December 2021, the aggregate interests under the Securities and Futures Ordinance of Hong Kong in HSBC Holdings ordinary shares, including interests arising through employee share plans and the interests above were: Noel Quinn – 2,731,466; and Ewen Stevenson – 2,458,851. Each Director's total interests represents approximately 0.01% of the shares in issue and 0.01% of the shares in issue excluding treasury shares.*

3 *Jackson Tai has a non-beneficial interest in 11,965 shares of which he is custodian.*

There have been no changes in the shares or debentures of the current Directors from 31 December 2021 to the date of this report.

Listing Rule 9.8.4 and other disclosures

This section of the *Annual Report and Accounts 2021* forms part of and includes certain disclosures required in the Report of the Directors incorporated by cross-reference, including under Listing Rule 9.8.4 and otherwise as applicable by law.

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Directors' governance

Appointment and re-election

A rigorous selection process is followed for the appointment of Directors. Appointments are made on merit and candidates are considered against objective criteria, having regard to the benefits of a diverse Board. Appointments are made in accordance with HSBC Holdings' Articles of Association. The Nomination & Corporate Governance Committee report sets out further details of the Board selection process. The number of Directors (other than any alternate Directors) must not be fewer than five nor exceed 25.

The Board may at any time appoint any person as a Director, either to fill a vacancy or as an addition to the existing Board. The Board may appoint any Director to hold any employment or executive office, and may revoke or terminate any such appointment.

Non-executive Directors are appointed for an initial three-year term and, subject to continued satisfactory performance based upon an assessment by the Group Chairman and the Nomination & Corporate Governance Committee, are proposed for re-election by shareholders at each AGM. They typically serve two three-year terms. The Board may invite a Director to serve additional periods but any term beyond six years is subject to review with an explanation to be provided in the *Annual Report and Accounts*.

Shareholders vote at each AGM on whether to elect and re-elect individual Directors. All Directors that stood for election and re-election at the 2021 AGM were elected and re-elected by shareholders.

None of the Directors who retired during the year or who are not offering themselves for re-election at the 2022 AGM have raised concerns about the operation of the Board or the management of the company.

No executive Director is involved in deciding their own remuneration outcome.

Commitments

The terms and conditions of the appointments of non-executive Directors are set out in a letter of appointment, which includes the expectations of them and the estimated time required to perform their role. Letters of appointment of each non-executive Director are available for inspection at the registered office of HSBC Holdings. The anticipated time commitment for non-executive Directors serving on the Board and as a member of any committees is no more than 75 days per annum. Directors who in addition chair a large committee should expect to commit up to 100 days per annum. Any additional time commitment connected with Board-related appointments will be confirmed separately.

Board approval is required for any non-executive Directors' external commitments, with consideration given to time commitments and conflicts of interest.

Conflicts of interest

The Board has an established policy and set of procedures to ensure that the Board's management of the Directors' conflicts of interest policy operates effectively. The Board has the power to authorise conflicts where they arise, in accordance with the Companies Act 2006 and HSBC Holdings' Articles of Association. Details of all Directors' conflicts of interest are recorded in the register of conflicts, which is maintained by the Group Company Secretary and Chief Governance Officer's office. The Board agreed for 2022 onwards that the conflicts register be reviewed annually by the Board and quarterly by the Nomination & Corporate Governance Committee. Upon appointment, new Directors are advised of the policy and procedures for managing conflicts. Directors are required to notify the Board of any actual or potential conflicts of interest and to update the Board with any changes to the facts and circumstances surrounding such conflicts. Directors are requested to review and confirm their own and their respective closely associated persons' outside interests and appointments twice a year. The Board has considered, and authorised (with or without conditions) where appropriate, potential conflicts as they have arisen during the year in accordance with the said policy and procedures. All non-executive Directors are re-vetted by the compliance team every three years from appointment and as part of such process all conflicts checks are refreshed.

Directors' indemnity

The Articles of Association of HSBC Holdings contain a qualifying third-party indemnity provision, which entitles Directors and other officers to be indemnified out of the assets of HSBC Holdings against claims from third parties in respect of certain liabilities.

HSBC Holdings has granted, by way of deed poll, indemnities to the Directors, including former Directors, against certain liabilities arising in connection with their position as a Director of HSBC Holdings or of any Group company. Directors are indemnified to the maximum extent permitted by law.

The indemnities that constitute a 'qualifying third-party indemnity provision', as defined by section 234 of the Companies Act 2006, remained in force for the whole of the financial year (or, in the case of Directors appointed during 2021, from the date of their appointment). The deed poll is available for inspection at the registered office of HSBC Holdings.

Additionally, Directors have the benefit of Directors' and officers' liability insurance.

Qualifying pension scheme indemnities have also been granted to the Trustees of the Group's pension schemes, which were in force for the whole of the financial year and remain in force as at the date of this report.

Contracts of significance

During 2021, none of the Directors had a material interest, directly or indirectly, in any contract of significance with any HSBC company. During the year, all Directors were reminded of their obligations in respect of transacting in HSBC securities and following specific enquiry all Directors have confirmed that they have complied with their obligations.

Shareholder engagement

The Board is directly accountable to, and gives high priority to communicating with, HSBC's shareholders. Information about HSBC and its activities is provided to shareholders in its *Interim Reports* and the *Annual Report and Accounts* as well as on www.hsbc.com.

To complement regular publications, there is continual dialogue between members of the Board and institutional investors throughout the year. For examples of such engagement see the Group Chairman's governance statement on page 218 and the Remuneration Committee Chair's letter on page 254.

Directors are encouraged to develop an understanding of the views of shareholders. Enquiries from individuals on matters relating to their shareholdings and HSBC's business are welcomed.

Any individual or institutional investor can make an enquiry by contacting the investor relations team, Group Chairman, Group Chief Executive, Group Chief Financial Officer and Group Company Secretary and Chief Governance Officer. Our Senior Independent Director is also available to shareholders if they have concerns that cannot be resolved or for which the normal channels would not be appropriate. He can be contacted via the Group Company Secretary and Chief Governance Officer at 8 Canada Square, London E14 5HQ.

Annual General Meeting

The AGM in 2022 is planned to be held in London at 11:00am on Friday, 29 April 2022. Information on how to participate, both in advance and on the day, can be found in the Notice of the 2022 AGM, which will be sent to shareholders on 25 March 2022 and be available on www.hsbc.com/agm. A live webcast will be available on www.hsbc.com. A recording of the proceedings will be available on www.hsbc.com shortly after the conclusion of the AGM. Due to the current environment, these arrangements may change. Shareholders should monitor our website and announcements for any updates. Shareholders may send enquiries to the Board in writing via the Group Company Secretary and Chief Governance Officer, HSBC Holdings plc, 8 Canada Square, London E14 5HQ or by sending an email to shareholderquestions@hsbc.com.

General meetings and resolutions

Shareholders may require the Directors to call a general meeting other than an AGM, as provided by the UK Companies Act 2006. A valid request to call a general meeting may be made by members representing at least 5% of the paid-up capital of HSBC Holdings as carries the right of voting at its general meetings (excluding any paid-up capital held as treasury shares). A request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. At any general meeting convened on such request, no business may be transacted except that stated by the requisition or proposed by the Board.

Shareholders may request the Directors to send a resolution to shareholders for consideration at an AGM, as provided by the UK Companies Act 2006. A valid request must be made by (i) members representing at least 5% of the paid-up capital of HSBC Holdings as carries the right of voting at its general meetings (excluding any paid-up capital held as treasury shares), or (ii) at least 100 members who have a right to vote on the resolution at the AGM in question and hold shares in HSBC Holdings on which there has been paid up an average sum, per member, of at least £100.

The request must be received by the company not later than (i) six weeks before the AGM in question; or (ii) if later, the time at which the notice of AGM is published.

A request may be in hard copy form or in electronic form, and must be authenticated by the person or persons making it. A request may be made in writing to HSBC Holdings at its UK address, referred to in the paragraph above or by sending an email to shareholderquestions@hsbc.com.

Events after the balance sheet date

For details of events after the balance sheet date, see Note 37 on the financial statements.

Change of control

The Group is not party to any significant agreements that take effect, alter or terminate following a change of control of the Group. The Group does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover bid.

Branches

The Group provides a wide range of banking and financial services through branches and offices in the UK and overseas.

Research and development activities

During the ordinary course of business the Group develops new products and services within the global businesses.

Political donations

HSBC does not make any political donations or incur political expenditure within the ordinary meaning of those words. We have no intention of altering this policy. However, the definitions of political donations, political parties, political organisations and political expenditure used in the UK Companies Act 2006 are very wide. As a result, they may cover routine activities that form part of the normal business activities of the Group and are an accepted part of engaging with stakeholders. To ensure that neither the Group nor any of its subsidiaries inadvertently breaches the UK Companies Act 2006, authority is sought from shareholders at the AGM to make political donations.

HSBC provides administrative support to two political action committees ('PACs') in the US funded by voluntary political contributions by eligible employees. We do not control the PACs, and all decisions regarding the amounts and recipients of contributions are directed by the respective steering committee of each PAC, which are comprised of eligible employees. The PACs recorded combined political donations of $15,500 during 2021 (2020: $100,750).

Charitable contributions

For details of charitable contributions, see page 77.

Internal control

The Board is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the level and type of risks the Group is willing to take in achieving its strategic objectives.

To meet this requirement and to discharge its obligations under the FCA Handbook and the PRA Handbook, procedures have been designed: for safeguarding assets against unauthorised use or disposal; for maintaining proper accounting records; and for ensuring the reliability and usefulness of financial information used within the business or for publication.

These procedures provide reasonable assurance against material misstatement, errors, losses or fraud. They are designed to provide effective internal control within the Group and accord with the Financial Reporting Council's guidance for Directors issued in 2014, on risk management, internal control and related financial and business reporting. The procedures have been in place throughout the year and up to 22 February 2022, the date of approval of the *Annual Report and Accounts 2021*.

The key risk management and internal control procedures include the following:

Global principles

The Group's Global Principles set an overarching standard for all other policies and procedures and are fundamental to the Group's risk management structure. They inform and connect our purpose, values, strategy and risk management principles, guiding us to do the right thing and treat our customers and our colleagues fairly at all times.

Risk management framework

The risk management framework supports our Global Principles. It outlines the key principles and practices that we employ in managing material risks. It applies to all categories of risk and supports a consistent approach in identifying, assessing, managing and reporting the risks we accept and incur in our activities.

Delegation of authority within limits set by the Board

Subject to certain matters reserved for the Board, the Group Chief Executive has been delegated authority limits and powers within which to manage the day-to-day affairs of the Group, including the right to sub-delegate those limits and powers. Each relevant Group Executive Committee member or executive Director has delegated authority within which to manage the day-to-day affairs of the business or function for which he or she is accountable.

Delegation of authority from the Board requires those individuals to maintain a clear and appropriate apportionment of significant responsibilities and to oversee the establishment and maintenance of systems of control that are appropriate to their business or function. Authorities to enter into credit and market risk exposures are delegated with limits to line management of Group companies. However, credit proposals with specified higher-risk characteristics require the concurrence of the appropriate global function. Credit and market risks are measured and reported at subsidiary company level and aggregated for risk concentration analysis on a Group-wide basis.

Risk identification and monitoring

Systems and procedures are in place to identify, assess, control and monitor the material risk types facing HSBC as set out in the risk management framework. The Group's risk measurement and reporting systems are designed to help ensure that material risks are captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed and that information is delivered in a timely manner for those risks to be successfully managed and mitigated.

Changes in market conditions/practices

Processes are in place to identify new risks arising from changes in market conditions/practices or customer behaviours, which could expose the Group to heightened risk of loss or reputational damage. The Group employs a top and emerging risks framework, which contains an aggregate of all current and forward-looking risks and enables it to take action that either prevents them materialising or limits their impact.

During 2021 due to the prolonged impact of the Covid-19 pandemic on the global economy, banks continued to play an expanded role to support society and customers. The pandemic and its impact on the global economy have impacted many of our customers' business models and income, requiring significant levels of support from both governments and banks.

To meet the additional challenges, we supplemented our existing approach to risk management with additional tools and practices and these continue to be in place. We continue our focus on the quality and timeliness of the data used to inform management decisions, through measures such as early warning indicators, prudent active risk management of our risk appetite, and ensuring regular communication with our Board and other key stakeholders.

Responsibility for risk management

All employees are responsible for identifying and managing risk within the scope of their role as part of the three lines of defence model. This is an activity-based model to delineate management accountabilities and responsibilities for risk management and the control environment. The second line of defence sets the policy and guidelines for managing specific risk areas, provides advice and guidance in relation to the risk, and challenges the first line of defence (the risk owners) on effective risk management.

The Board delegated authority to the Group Audit Committee ('GAC') and it reviewed the independence, autonomy and effectiveness of the Group's policies and procedures on whistleblowing, including the procedures for the protection of staff who raise concerns of detrimental treatment.

Strategic plans

Strategic plans are prepared for global businesses, global functions and geographical regions within the framework of the Group's overall strategy. Financial resource plans, informed by detailed analysis of risk appetite describing the types and quantum of risk that the Group is prepared to take in executing its strategy, are prepared and adopted by all major Group operating companies and set out the key business initiatives and the likely financial effects of those initiatives.

The effectiveness of the Group's system of risk management and internal control is reviewed regularly by the Board, the GRC and the GAC.

During 2021, the Group continued to focus on operational resilience and invest in the non-financial risk infrastructure. There was a particular focus on material and emerging risks and areas undergoing strategic growth.

The GRC and the GAC received confirmation that executive management has taken or is taking the necessary actions to remedy any failings or weaknesses identified through the operation of the Group's framework of controls. In response to the prolonged Covid-19 pandemic, our business continuity responses have been successfully implemented and the majority of service level agreements continue to be maintained.

Internal control over financial reporting

HSBC is required to comply with section 404 of the US Sarbanes-Oxley Act of 2002 and assess its effectiveness of internal control over financial reporting at 31 December 2021. In 2014, the GAC endorsed the adoption of the COSO 2013 framework for the monitoring of risk management and internal control systems to satisfy the requirements of section 404 of the Sarbanes-Oxley Act.

The key risk management and internal control procedures over financial reporting include the following:

Entity level controls

The primary mechanism through which comfort over risk management and internal control systems is achieved is through assessments of the effectiveness of controls to manage risk, and the reporting of issues on a regular basis through the various risk management and risk governance forums. Entity level controls are a defined suite of internal controls that have a pervasive influence over the entity as a whole and meet the principles of the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') framework. They include controls related to the control environment, such as the Group's values and ethics, the promotion of effective risk management and the overarching governance exercised by the Board and its non-executive committees. The design and operational effectiveness of entity level controls are assessed annually as part of the assessment of the effectiveness of internal controls over financial reporting. If issues are significant to the Group, they are escalated to the GRC and also to the GAC, if concerning financial reporting matters.

Process level transactional controls

Key process level controls that mitigate the risk of financial misstatement are identified, recorded and monitored in accordance with the risk framework. This includes the identification and assessment of relevant control issues against which action plans are tracked through to remediation. Further details on HSBC's approach to risk management can be found on page 121. The GAC has continued to receive regular updates on HSBC's ongoing activities for improving the effective oversight of end-to-end business processes, and management continued to identify opportunities for enhancing key controls, such as through the use of automation technologies.

Financial reporting

The Group's financial reporting process is controlled using documented accounting policies and reporting formats, supported by detailed instructions and guidance on reporting requirements, issued to all reporting entities within the Group in advance of each reporting period end. The submission of financial information from each reporting entity is supported by a certification by the responsible financial officer and analytical review procedures at reporting entity and Group levels.

Disclosure Committee

Chaired by the Group Chief Financial Officer, the Disclosure Committee supports the discharge of the Group's obligations under relevant legislation and regulation including the UK and Hong Kong listing rules, the UK Market Abuse Regulation and US Securities and Exchange Commission rules. In so doing, the Disclosure Committee is empowered to determine whether a new event or circumstance should be disclosed, including the form and timing of such disclosure, and review certain material disclosures made or to be made by the Group. The membership of the Disclosure Committee consists of senior management, including the Group Chief Financial Officer, Group Chief Legal Officer and Group Company Secretary and Chief Governance Officer. The Group's brokers, external auditors and its external legal counsel also attend as required. The integrity of disclosures is underpinned by structures and processes within the Global Finance and Global Risk and Compliance functions that support rigorous analytical review of financial reporting and the maintenance of proper accounting records. As required by the Sarbanes-Oxley Act, the Group Chief Executive and the Group Chief Financial Officer have certified that the Group's disclosure controls and procedures were effective as at the end of the period covered by the *Annual Report and Accounts 2021*.

The annual review of the effectiveness of the Group's system of risk management and internal control over financial reporting was conducted with reference to the COSO 2013 framework. Based on the assessment performed, the Directors concluded that for the year ended 31 December 2021, the Group's internal control over financial reporting was effective.

PwC has audited the effectiveness of HSBC's internal control over financial reporting and has given an unqualified opinion.

Going concern

The Board, having made appropriate enquiries, is satisfied that the Group as a whole has adequate resources to continue operations for a period of at least 12 months from the date of this report, and it therefore continues to adopt the going concern basis in preparing the financial statements.

For further details, see page 41.

Employees

At 31 December 2021, HSBC had a total workforce equivalent to 220,000 full-time employees compared with 226,000 at the end of 2020 and 235,000 at the end of 2019. Our main centres of employment were India with approximately 38,000 employees, the UK with 35,000, mainland China with 30,000, Hong Kong with 28,000, Mexico with 16,000 and the US with 7,000.

Our business spans many cultures, communities and continents. We aim to provide an environment where our colleagues can fulfil their potential by building their skills and capabilities while focusing on the development of a diverse and inclusive culture. We use confidential employee surveys to assess progress and make changes. We want to provide an open culture, where our colleagues feel connected, supported to speak up and where our leaders encourage and use feedback. Where we make organisational changes, we support our people, in particular where there are job impacts.

Employee relations

We consult with and, where appropriate, negotiate with employee representative bodies where we have them. It is our policy to maintain well-developed communications and consultation programmes with all employee representative bodies. There have been no material disruptions to our operations from labour disputes during the past five years.

We are committed to complying with the applicable employment law and regulations in the jurisdictions in which we operate. HSBC's global employment practices and relations policy provides the framework and controls through which we seek to uphold that commitment.

Diversity and inclusion

Our customers, colleagues and communities span many cultures and continents. We value difference, and believe that diversity makes us strong. We are dedicated to building a diverse and connected workforce where everyone feels a sense of belonging.

Our Group People Committee, which is made up of Group Executive Committee members, governs our diversity and inclusion agenda. It meets regularly to agree actions to improve diverse representation and build a more inclusive culture where our colleagues can bring the best of themselves to work, and deliver more equal outcomes for our stakeholders. Members of our Group Executive Committee are held to account for the actions they take on diversity via aspirational targets contained within their performance scorecards. Every colleague at HSBC must treat each other with dignity and respect to ensure an inclusive environment. Our policies make it clear that we do not tolerate unlawful discrimination, bullying or harassment on any grounds.

To align our approach to inclusion best practices, we participate in global diversity benchmarks that help us to identify improvement opportunities. We also track a large number of diversity and inclusion metrics, which enable us to pinpoint inclusion barriers, and take action where required. Our gender diversity statistics are set out on page 72.

Further details of our diversity and inclusion activity, together with our Gender and Ethnicity Pay Gap Report 2021, can be found at www.hsbc.com/diversitycommitments.

Employment of people with a disability

We strongly believe in providing equal opportunities for all employees. The employment of people with a disability is included in this commitment. The recruitment, training, development and promotion of people with a disability are based on the aptitudes and abilities of the individual. Should employees become disabled during their employment with us, efforts are made to continue their employment. Where necessary, we will provide appropriate training, facilities and reasonable equipment.

Employee development

We aim to build a dynamic, inclusive culture where the best want to develop the skills and experiences that help them fulfil their potential. This determines how we develop our people and recruit, identify and nurture talent. A range of resources bring this to life including:

- HSBC University, our platform for learning and development with specific business and technical academies;
- our My HSBC Career portal, which offers career development information and resources; and
- HSBC Talent Marketplace, our new online platform that uses AI to provide opportunities to learn as we work.

Each year, every employee is asked to complete global mandatory training. It plays a critical role in shaping our culture by ensuring everyone is focused on issues that are fundamental to working at HSBC, from sustainability, to financial crime risk, to our intolerance of bullying and harassment.

As the opportunities we face change, we provide development to key populations through business and technical academies. This includes our risk academy, which helps us to develop broad capabilities in traditional areas of risk like financial crime but also in emerging risk issues like climate risk and the ethics of AI and Big Data.

Our approach to learning is skills based. Our academies work with our businesses to identify the key skills and capabilities we need in the future. Alongside this, we help colleagues identify, assess and develop the skills that match their ambition and aspirations. In 2021, as part of our Future Skills programme a 'Focus 4' campaign encouraged colleagues to identify four future skills they want to prioritise in their development plans. Over four themed weeks, various events introduced colleagues to areas such as data, digital and sustainability skills, as well as personal skills like critical thinking and resilience.

Our new platform for learning content is Degreed. This helps colleagues identify, assess and develop key skills through internal and external training materials in a way that suits them. Content can range from quick videos, articles or podcasts to packaged programmes or learning pathways.

In 2021, we launched the HSBC Talent MarketPlace, an AI-based platform, which matches colleagues to projects and experiences based on their aspirations. By December, this had been rolled out to nearly 50,000 colleagues in the US, India, Singapore and the UK, and will be rolled out globally in 2022.

Effective people management and impactful leadership remain critical to our ability to energise for growth. In 2021, we launched a refreshed executive development curriculum for our most senior population. This combines internal programmes and business school activities with targeted technical programmes on key topics and skills.

Health and safety

We are committed to providing a safe and healthy working environment for everyone. We have adopted global policies, mandatory procedures, and incident and information reporting systems across the organisation that reflect our core values and are aligned to international standards. Our global health and safety performance is subject to ongoing monitoring and assurance.

Our chief operating officers have overall responsibility for engendering a positive health and safety culture and ensuring that global policies, procedures and systems are put into practice locally. They also have responsibility for ensuring all local legal requirements are met.

We delivered a range of programmes in 2021 to help us understand and manage our health and safety risks:

- We continued to provide enhancements to our workplaces globally to minimise the risks of Covid-19, including enhanced cleaning, improved ventilation and social distancing measures.
- We updated our advice and risk assessment methodology on working from home, providing more awareness and best practices on good ergonomics and well-being to be adopted as we transitioned to new ways of working.
- We delivered health and safety training and awareness to 220,000 of our employees and contractors globally, ensuring roles and responsibilities were clear and understood.
- We completed the annual safety inspection on all of our buildings globally, subject to local Covid-19 restrictions, to ensure we were meeting our standards and continuously improving our safety performance.
- We continued to focus on enhancing the safety culture in our supply chain through our SAFER Together programme, covering the five key elements of best practice safety culture, including speaking up about safety, and recognising excellence. Our 2021 safety climate survey results showed a continued high level of positive safety culture, significantly above the industry average.
- We commenced a targeted guidance and training programme for our construction partners in our key markets globally to help them understand and deliver industry leading health and safety performance, with over 130 construction workers receiving safety passporting training.
- Our Eat Well Live Well programme continued educating and informing our colleagues on how to make healthy food and drink choices. We enhanced the programme to provide digital educational and information resources, including a suite of videos and recipe ideas. The programme was a key component of HSBC's winning entry in the 2021 Global Healthy Workplace Awards.
- We put in place effective storm preparation controls and processes to ensure the protection of our people and operations. In 2021, there were 38 named storms that passed over 1,935 of our buildings, resulting in 0 injuries or material business impact.

Employee health and safety

	2021	2020	2019
Rate of workplace fatalities per 100,000 employees	—	—	—
Number of major injuries to employees[1]	14	15	29
All injury rate per 100,000 employees	64	88	189

1 *Fractures, dislocation, concussion, loss of consciousness, overnight admission to hospital.*

Remuneration

HSBC's pay and performance strategy is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience with the Group, while performing their role in the long-term interests of our stakeholders.

For further details of the Group's approach to remuneration, see page 278.

Employee share plans

Share options and discretionary awards of shares granted under HSBC share plans align the interests of employees with the creation of shareholder value. The following table sets out the particulars of outstanding options, including those held by employees working under employment contracts that are regarded as 'continuous contracts' for the purposes of the Hong Kong Employment Ordinance. The options were granted at nil consideration. No options have been granted to substantial shareholders and suppliers of goods or services, nor in excess of the individual limit for each share plan. No options were cancelled by HSBC during the year.

A summary for each plan of the total number of the options that were granted, exercised or lapsed during 2021 is shown in the following table. Further details required to be disclosed pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are available on our website at www.hsbc.com/who-we-are/leadership-and-governance/remuneration and on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, or can be obtained upon request from the Group Company Secretary and Chief Governance Officer, 8 Canada Square, London E14 5HQ.

Particulars of options held by Directors of HSBC Holdings are set out on page 273.

Note 5 on the financial statements gives details of share-based payments, including discretionary awards of shares granted under HSBC share plans.

All-employee share plans

HSBC operates all-employee share option plans under which options are granted over HSBC ordinary shares. Subject to leaver provisions, options are normally exercisable after three or five years. During 2021, options were granted by reference to the average market value of HSBC Holdings ordinary shares on the five business days immediately preceding the invitation date, then applying a discount of 20%. The closing price for HSBC Holdings ordinary shares quoted on the London Stock Exchange on 21 September 2021, the day before the options were granted and as derived from the Daily Official List, was £3.5975.

The HSBC Holdings Savings-Related Share Option Plan (UK) will expire on 24 April 2030, by which time the plan may be extended with approval from shareholders, unless the Directors resolve to terminate the plan at an earlier date.

The HSBC International Employee Share Purchase Plan was introduced in 2013 and now includes employees based in 28 jurisdictions, although no options are granted under this plan.

During 2021, approximately 190,000 employees were offered participation in these plans.

HSBC Holdings Savings-Related Share Option Plan (UK)

						HSBC Holdings ordinary shares				
Dates of awards		Exercise price		Usually exercisable		At	Granted	Exercised	Lapsed	At
from	to	from	to	from	to	1 Jan 2021	during year	during year[1]	during year	31 Dec 2021
		(£)	(£)							
20 Sep 2015	22 Sep 2021	2.6270	5.9640	1 Nov 2019	30 Apr 2027	130,952,539	15,410,381	3,878,418	19,287,652	123,196,850

1 *The weighted average closing price of the shares immediately before the dates on which options were exercised was £4.3351.*

Statement of compliance

The statement of corporate governance practices set out on pages 217 to 296 and the information referred to therein constitutes the 'Corporate governance report' and 'Report of the Directors' of HSBC Holdings. The websites referred to do not form part of this report.

Relevant corporate governance codes, role profiles and policies	
UK Corporate Governance Code	www.frc.org.uk
Hong Kong Corporate Governance Code (set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited)	www.hkex.com.hk
Descriptions of the roles and responsibilities of the: – Group Chairman – Group Chief Executive – Senior Independent Director – Board	www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities
Board and senior management	www.hsbc.com/who-we-are/leadership-and-governance
Roles and responsibilities of the Board's committees	www.hsbc.com/who-we-are/leadership-and-governance/board-committees
Board's policies on: – diversity and inclusion – shareholder communication – human rights – remuneration practices and governance	www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities
Global Internal Audit Charter	www.hsbc.com/who-we-are/leadership-and-governance/corporate-governance-codes/internal-control

HSBC is subject to corporate governance requirements in both the UK and Hong Kong. During 2021, HSBC complied with the provisions and requirements of both the UK and Hong Kong Corporate Governance Codes.

Under the Hong Kong Code, the audit committee should be responsible for the oversight of all risk management and internal control systems. HSBC's Group Risk Committee is responsible for oversight of internal control, other than internal control over financial reporting, and risk management systems. This is permitted under the UK Corporate Governance Code.

HSBC Holdings has codified obligations for transactions in Group securities in accordance with the requirements of the UK Market Abuse Regulation and the rules governing the listing of securities on HKEx, save that the HKEx has granted waivers from strict compliance with the rules that take into account accepted practices in the UK, particularly in respect of employee share plans. During the year, all Directors were reminded of their obligations in respect of transacting in HSBC Group securities. Following specific enquiry all Directors have confirmed that they have complied with their obligations.

On behalf of the Board

Mark E Tucker

Group Chairman

HSBC Holdings plc

Registered number 617987

22 February 2022

Directors' responsibility statement

The Directors are responsible for preparing the *Annual Report and Accounts 2021*, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the parent company ('Company') and Group financial statements in accordance with UK-adopted international accounting standards. The company has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) N0 1606/2002 as it applies in the European Union. In preparing these financial statements, the Directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group, and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the *Annual Report and Accounts 2021* as they appear on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the *Annual Report and Accounts 2021,* taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the 'Report of the Directors: Corporate governance report' on pages 220 to 223 of the *Annual Report and Accounts 2021*, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group; and
- the management report represented by the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Group Audit Committee has responsibility, delegated to it from the Board, for overseeing all matters relating to external financial reporting. The Group Audit Committee report on page 240 sets out how the Group Audit Committee discharges its responsibilities.

Disclosure of information to auditors

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement, in the case of each Director in office as at the date the Report of the Directors is approved, that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Mark E Tucker

Group Chairman

HSBC Holdings plc

Registered number 617987

22 February 2022