Corporate governance report

HSBC continues to enhance its corporate governance practices and procedures to support the Board's ambition of world-class governance.

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 and their application.

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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.

The Board

The Board, which seeks to promote the Group's long-term success, deliver sustainable value to shareholders and promote a culture of openness and debate, comprises diverse, high-calibre members who have experience in our global markets.

Chairman and executive Directors

Mark E Tucker (65) 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, the EU and the UK, including 30 years living and working in Hong Kong, Mark has a deep understanding of the industry and markets in which we operate.

Career: Mark was previously Chairman, Group Chief Executive and President of AIA Group Limited ('AIA'), and prior to AIA he was Group Chief Executive of Prudential plc.

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

Other appointments:
- Non-executive Chairman of Discovery Limited
- Supporting Chair of Chapter Zero
- Member of the UK Investment Council
- Member of the Advisory Group on Trade Finance to the International Chamber of Commerce
- Member of the Trade Advisory Group on Financial Services to the UK Government's Department for International Trade
- Member of the Asia Business Council
- Chairman of the Multinational Chairman's Group
- Co-Chair of the Indian B20 Taskforce on Financial Inclusion for Economic Empowerment
- Director, Peterson Institute for International Economics
- Director, Institute of International Finance
- Asia Society Board of Trustees

Noel Quinn (61)
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 appointed Group Chief Executive in March 2020, having held the role on an interim basis since August 2019. Since joining HSBC and its constituent companies in 1987, Noel has held a variety of roles including Chief Executive Officer, Global Commercial Banking; Regional Head of Commercial Banking for Asia-Pacific; Head of Commercial Banking UK; and Head of Commercial Finance Europe.

Other appointments:
- Chair of the Financial Services Task Force of the Sustainable Markets Initiative
- Member of the Advisory Council of the Sustainable Markets Initiative
- Founding member of CNBC ESG Council
- Member of the Advisory Board of the China Children Development Fund
- Principal member of the Glasgow Financial Alliance for Net Zero
- Member of the World Economic Forum's International Business Council

Georges Elhedery (48)
Group Chief Financial Officer
Appointed to the Board: January 2023

Skills and experience: Georges has 25 years of experience in the banking industry across Europe, the Middle East and Asia, and has held a number of executive roles at both a regional and global business level.

Career: Georges was appointed Group Chief Financial Officer and executive Director with effect from 1 January 2023. He is also responsible for the oversight of the Group's transformation programme and corporate development activities. Georges was previously co-Chief Executive Officer, Global Banking and Markets and also Head of the Markets and Securities Services division of the business. Georges joined HSBC in 2005 with extensive trading experience in London, Paris and Tokyo. He has since held a number of senior leadership roles, including Head of Global Banking and Markets, Middle East and North Africa; Chief Executive Officer for HSBC, Middle East, North Africa and Türkiye; and Global Head of Markets based in London.

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

Geraldine Buckingham (45) ○○●
Independent non-executive Director
Appointed to the Board: May 2022

Skills and experience: Geraldine is an experienced executive within the global financial services industry, with significant leadership experience in Asia.

Career: Geraldine is the former Chair and Head of Asia-Pacific at BlackRock, where she was responsible for all business activities across Hong Kong, mainland China, Japan, Australia, Singapore, India and Korea. After stepping down from this role, she acted as senior adviser to the Chairman and Chief Executive Officer of BlackRock. She earlier served as BlackRock's Global Head of Corporate Strategy, and previously was a partner within McKinsey & Company's financial services practice.

Other appointments:
- Independent non-executive Director of Brunswick Group Partnership Ltd
- Member of the Advisory Board of ClimateWorks Centre Australia

Rachel Duan (52) ●○●
Independent non-executive Director
Appointed to the Board: September 2021

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

Career: Rachel spent 24 years at General Electric ('GE'), where she held positions including 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, Russia and the Commonwealth of Independent States. She 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 non-executive Director of Sanofi S.A.
- Independent non-executive Director of AXA S.A.
- Independent non-executive Director of the Adecco Group AG

Dame Carolyn Fairbairn (62) ○©●
Independent non-executive Director
Appointed to the Board: September 2021

Skills and experience: Carolyn has significant experience across the media, government and finance sectors, and a deep understanding of the macroeconomic, regulatory, and political environment.

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

Other appointments:
- Honorary Fellow of Gonville and Caius College, Cambridge
- Honorary Fellow of Nuffield College, Oxford
- Chair of Trustees at Royal Mencap Society

James Forese (59) ○ ○ ●
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 working in areas including global markets, investment and private banking.

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 Citigroup's President, he was Chief Executive Officer of Citigroup's Institutional Clients Group. He has held the positions of Chief Executive of its Securities and Banking division and Head of its Global Markets business.

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

Steven Guggenheimer (57) ○ ●
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; and Corporate Vice President, Original Equipment Manufacturer.

Other appointments:
- Independent non-executive Director of BT Group plc
- Independent non-executive Director of Leupold & Stevens, Inc
- Independent non-executive Director of Forrit Holdings Limited
- Independent non-executive Director of Software Acquisition Group

Dr José Antonio Meade Kuribreña (53) ○ ●
Independent non-executive Director
Appointed to the Board: March 2019
Workforce engagement non-executive Director since: June 2022

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

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:
- Independent non-executive Director of Alfa S.A.B. de C.V.
- Independent non-executive Director of Grupo Comercial Chedraui, S.A.B. de C.V.
- Board member of The Global Center on Adaptation
- Member of the Advisory Board of the University of California, Centre for US Mexican Studies
- Member of the UNICEF Mexico Advisory Board

Eileen Murray (64)
Independent non-executive Director
Appointed to the Board: July 2020

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

Career: Eileen previously 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, where she held positions including Controller, Treasurer, and Global Head of Technology and Operations, as well as Chief Operating Officer for its Institutional Securities Group. She was also Head of Global Technology, Operations and Product Control at Credit Suisse.

Other appointments:
- Independent non-executive Director of Guardian Life Insurance Company of America
- Independent non-executive Director of Broadridge Financial Solutions, Inc
- Independent non-executive Director and Chair of Carbon Arc
- Strategic Adviser of Invisible Urban Charging
- Adviser of ConsenSys

David Nish (62)
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, strategy, financial reporting, 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, Thus plc, London Stock Exchange Group plc, the UK Green Investment Bank plc and Zurich Insurance Group.

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

Jackson Tai (72)
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 previously served as Chief Financial Officer and President and Chief Operating Officer. He worked for 25 years in the investment banking division of J.P. Morgan & Co. Incorporated, holding roles as Chairman of the Asia-Pacific Management Committee and Head of Japan Capital Markets. Former non-executive Director appointments included 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:
- Independent non-executive Director of Eli Lilly and Company
- Independent non-executive Director of MasterCard Incorporated
- Member of the Advisory Panel of the Russell Reynolds Associates Board and CEO Advisory Group
- Member of the Board of Trustees of the Rensselaer Polytechnic Institute
- Member of the Association of the Metropolitan Opera Board

Aileen Taylor (50)
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 during the year

Irene Lee
Irene Lee retired from the Board on 29 April 2022

Pauline van der Meer Mohr
Pauline van der Meer Mohr retired from the Board on 29 April 2022

Ewen Stevenson
Ewen Stevenson resigned from the Board on 31 December 2022

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 (54)
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 throughout her career in financial services, including with 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.

Colin Bell (55)
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, where he held a variety of command and staff positions, including within operational tours of Iraq and Northern Ireland, and roles in the Ministry of Defence and NATO.

Jonathan Calvert-Davies (54)
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 also previously served as interim Group Head of Internal Audit at the Royal Bank of Scotland Group.

Greg Guyett (59)
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, before assuming sole responsibility in October 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 for Asia-Pacific.

Dr Celine Herweijer (45)
Group Chief Sustainability Officer

Celine joined HSBC as Group Chief Sustainability Officer in July 2021, and is responsible for the Group's execution of its sustainability strategy. She is also co-chair of the Group's ESG Committee. She was previously 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 in 2009, 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 NASA Fellow.

John Hinshaw (52)
Group Chief Operating Officer

John became Group Chief Operating Officer in February 2020, having joined HSBC in December 2019. He has extensive background in transforming and digitising organisations across a range of industries. John was previously Executive Vice President of Technology and Operations and Chief Customer Officer at Hewlett Packard and Hewlett Packard Enterprise, and has held senior executive positions at Verizon and Boeing. John serves on the boards of Sysco Corporation and Illumio, Inc., and has previously served on the boards of BNY Mellon, DocuSign and the National Academy Foundation.

Bob Hoyt (58)
Group Chief Legal Officer

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

Steve John (49)
Group Chief Communications and Brand Officer

Steve joined HSBC in December 2019 and was 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. Steve was previously 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 Corporate Affairs and PepsiCo as Director of Corporate Affairs for their UK and Ireland franchises.

Pam Kaur (59)
Group Chief Risk and Compliance Officer

Pam was appointed Group Chief Risk and Compliance Officer in 2021, having held the position of Group Chief Risk Officer since 2020. Since joining HSBC in 2013, her roles included Group Head of Internal Audit and Head of Wholesale Market and Credit Risk. Pam has also held a variety of audit, compliance, finance and operations 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 abrdn plc, and was previously a non-executive Director of Centrica plc.

David Liao (50)
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 2021. He is a Director of the Hongkong and Shanghai Banking Corporation Limited, Bank of Communications Co., Limited, and Hang Seng Bank Limited. David joined HSBC in 1997, with previous roles including: Head of Global Banking Coverage for Asia-Pacific; President and Chief Executive of HSBC China; Head of Global Banking and Markets, HSBC China; and Treasurer and Head of Global Markets, HSBC China.

Nuno Matos (55)
Chief Executive Officer, Wealth and Personal Banking

Nuno was appointed Chief Executive Officer of Wealth and Personal Banking in 2021. Since joining HSBC in 2015 from Santander Group, he has held various roles, most recently as Chief Executive Officer of HSBC Bank plc and HSBC Europe. He has also held the positions of Chief Executive Officer of HSBC Mexico and Regional Head of Retail Banking and Wealth Management for Latin America. He is currently a Director of HSBC Global Asset Management Limited.

Stephen Moss (56)
Regional Chief Executive Officer – Middle East, North Africa and Türkiye

Stephen was appointed Regional Chief Executive Officer for the Middle East, North Africa and Türkiye in 2021. He has held a series of roles in Asia, the UK and the Middle East 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 HSBC Bank Middle East Limited, HSBC Middle East Holdings B.V, HSBC Bank Egypt S.A.E., HSBC Saudi Arabia and The Saudi British Bank.

Barry O'Byrne (47)
Chief Executive Officer, Global Commercial Banking

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

Additional members of the Group Executive Committee

Noel Quinn

Georges Elhedery

Aileen Taylor

Biographies are provided on pages 240 and 243.

Michael Roberts (62)
Chief Executive Officer, HSBC USA and Americas

Michael was appointed Chief Executive Officer of HSBC USA when he joined HSBC in 2019. He became Chief Executive Officer of the Americas with oversight responsibility for Canada and Latin America in 2021. He is a Director of HSBC Bank Canada; Director, President and Chief Executive Officer of HSBC North America Holdings Inc.; and Chairman of HSBC Bank USA, N.A., HSBC USA Inc and HSBC Latin America Holdings (UK) Limited. Previously, Michael spent over 30 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 (54)
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 2021. He is a Director of The Hongkong and Shanghai Banking Corporation Limited, HSBC Global Asset Management Limited and HSBC Bank Malaysia Berhad. Surendra joined HSBC in 1991 and has held several senior positions within Global Banking and Markets, including Head of Global Markets in Indonesia and Head of Institutional Sales, Asia-Pacific. He previously held the position of Chief Executive for HSBC India and Head of HSBC's financial institutions group for Asia-Pacific.

John David Stuart (known as Ian Stuart) (59)
Chief Executive Officer, HSBC UK Bank plc

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

Board and senior management diversity
We value difference

Diversity and inclusion are embedded within the culture of HSBC. The Board remains committed to having an inclusive culture that recognises the importance of gender, social and ethnic diversity, and the benefits gained from different perspectives.

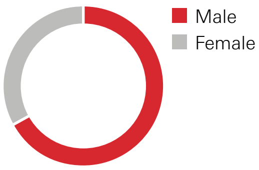
This section outlines the key diversity and inclusion metrics for Board members and executive management as at 31 December 2022. This includes tenure, age, skills and experience, gender and ethnic representation.

Gender and ethnic diversity

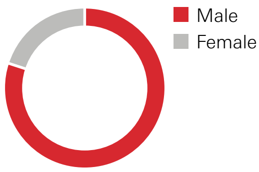
The Financial Conduct Authority, in its capacity as the UK Listing Authority, introduced new rules during 2022 that require listed companies to publish information on female and ethnic heritage representation on the Board and in senior management within the *Annual Report and Accounts 2023*. The tables below outline the current gender and ethnic diversity of the HSBC Holdings Board and executive management in advance of these requirements becoming applicable.

Gender

Board



Executive management



	Board members			Executive management[2]	
	Number	%	Number of senior positions[1]	Number	%
Male	8	67	4	17	81
Female	4	33	0	4	19
Other	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Ethnic diversity

Board

Executive management

	Board members			Executive management[2]	
	Number	%	Number of senior positions[1]	Number	%
White British or other White (including minority-White groups)	9	75	4	14	66
Mixed/multiple ethnic groups	–	–	–	1	5
Asian/Asian British	2	17	–	4	19
Black/African/Caribbean/ Black British	–		–	–	–
Other ethnic group, including Arab	1	8	–	1	5
Not specified/prefer not to say	–		–	1	5

1 Senior positions on the Board comprise the Group Chairman, Group Chief Executive, Group Chief Financial Officer and Senior Independent non-executive Director.

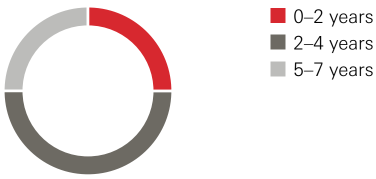
2 Executive management comprises the Group Chief Executive, his direct reports, and the Group Company Secretary and Chief Governance Officer.

Board composition, tenure and age

2
Executive Directors

10
Non-executive Directors

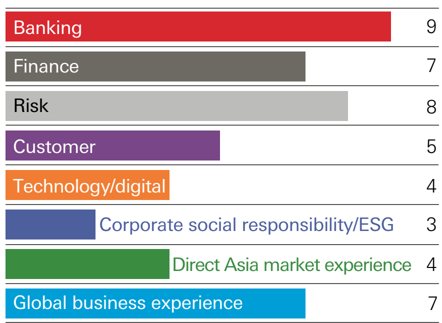
Tenure



Age

Skills and experience

The Board, through its Nomination & Corporate Governance Committee, regularly reviews the skills and experience it requires to effectively discharge its responsibilities. A skills matrix, which is a key tool used by the Board to inform its succession planning discussions, is reviewed at least annually by the Board. An extract of the skills matrix, showing a selection of the current skills and experience of the non-executive Directors, is shown below.



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 financial resource plans for achieving strategic objectives, including material transactions;
- considering and approving the Group's technology and environmental, social and governance strategies;
- approving the appointment and remuneration of Directors, including Board roles; and
- reviewing the Group's overall corporate governance arrangements.

The Board's responsibilities are set out in a schedule of matters reserved within its terms of reference, which 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 strategy, oversee risk, 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 can be found in the Nomination & Corporate Governance Committee report on page 259. 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 2022, the Board comprised the Group Chairman, nine non-executive Directors, and two executive Directors who are the Group Chief Executive and the Group Chief Financial Officer. One non-executive Director will not stand for re-election at the AGM in May 2023.

For further details of Board members' career backgrounds, skills, experience and external appointments, see their biographies on page 240, and for a breakdown of the diversity and skills of the Board and senior management, see page 247.

Operation of the Board

The Board is ordinarily scheduled to meet at least seven times a year. In 2022, the Board held 15 meetings. For further details on attendance at those meetings, see page 250. 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 further information, see 'Board activities during 2022' on page 255.

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 for specific items as required.

In addition to formal Board meetings, the Board Oversight Sub-Group met in advance of each Board meeting during 2022. Such meetings were established following the appointment of Noel Quinn as Group Chief Executive and changes to the senior management team as 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 Chair of the Group Remuneration 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 senior management are invited on an ad hoc basis, depending on the subject matter 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. Following a review by the Group Chairman and Group Chief Executive of the role of the Board Oversight Sub-Group, it was agreed that it would only be used on an ad hoc basis where necessary going forward.

Relationship between the 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. For further details of the senior management team, see page 244.

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 Board meetings in different locations, and when travelling for other reasons. Board and senior management travel resumed in 2022, which allowed for more opportunities for Board members to meet together in person and with key stakeholders. As Covid-19 restrictions remained in place for some markets, and with the safety of colleagues and customers a priority, several virtual meetings with senior executives continued to take place, which included business meetings, induction meetings and subject matter 'deep dives'.

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 has the following three pillars:

- The GEC normally meets every week to discuss current and emerging issues.
- On a monthly basis, the GEC reviews the performance of each of the global businesses in 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 respective global businesses, regions and principal subsidiaries. The Group Chief Risk and Compliance Officer usually attends these meetings.
- The GEC holds a strategy and governance meeting two weeks in advance of each Board meeting.

In addition, during the year, the Group Chief Executive independently conducts several business reviews on focus areas such as costs and the financial reporting plan.

Separate committees have been established to provide specialist oversight for matters delegated to the Group Chief Executive and senior management. For further details of these committees, see page 251.

To further support our senior management, we have dedicated corporate governance officers supporting our global businesses and global functions to assist in effective end-to-end governance, consistency and connectivity.

Subsidiary governance

We are committed to maintaining high standards of corporate governance throughout the Group. All subsidiary boards and their respective businesses are required to have in place effective governance arrangements with regard to the businesses' nature, size, locations and the sectors in which they operate.

Certain subsidiaries are designated formally as principal subsidiaries by approval of the Board. In addition to their obligations under their respective local laws and regulation, principal subsidiaries, supported by regional company secretaries, perform 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, North Africa and Türkiye
HSBC North America Holdings Inc.	US
HSBC Latin America Holdings (UK) Limited	Mexico and Latin America
HSBC Bank Canada[1]	Canada

1 *On 29 November 2022 HSBC announced it had entered into an agreement to sell HSBC Bank Canada, subject to regulatory and governmental approvals. The sale is expected to complete in late 2023.*

Principal subsidiaries play a critical role in overseeing the implementation of the subsidiary accountability framework in the regions for which they are responsible. The subsidiary accountability framework, refreshed by the Board in 2021, aims to provide subsidiaries with a shared understanding and a consistent approach towards the Group's strategic objectives, culture and values, and ensure that corporate governance best practice is applied throughout. The framework sets clear overarching principles for subsidiaries to follow to improve communications and connectivity within the Group.

It also focuses on ensuring that each subsidiary is led by an effective board with an appropriate balance of skills, diversity, experience and knowledge, having regard to the nature of the subsidiary's business and any local legal and regulatory requirements. Board composition of the Group's subsidiaries is kept under review as part of succession planning.

The framework is subject to periodic review by the Board and/or its Nomination & Corporate Governance Committee and is updated to ensure that there is clarity for the directors and officers of their respective roles and responsibilities.

Since the revised framework was implemented in 2021, there has been a notable improvement in the diversity of subsidiary board composition.

To continue this progress, HSBC in 2022 launched a Bank Director Programme to develop and equip internal talent to undertake non-executive employee director roles on subsidiary boards. This programme is delivered in partnership with an external business school, and provides certified qualifications to its participants in becoming highly skilled and knowledgeable subsidiary director candidates.

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 and the chairs of the Group's audit, risk and remuneration committees, and depending on the topic for discussion, also the Group Chief Executive, non-executive Directors and relevant executive management, advisers and/or external experts. In 2022, the Chairman's Forum covered strategic business considerations, geopolitics, global public health, liability pricing, shareholder engagements, ESG insights, delegations of authority, employee engagement and financial performance. The Non-Executive Director Summits, hosted by the Group Chairman, are also effective subsidiary directors' engagement events.

During 2022, the Group Chairman hosted two virtual Non-Executive Director Summits in March and September, where approximately 180 independent non-executive directors from the Group's subsidiaries attended along with HSBC Holdings Board Directors. The summits provide a platform for sharing key messages across subsidiaries, as well as facilitating greater connectivity and helping to build a sense of community among our subsidiaries' non-executive directors. In 2022, the non-executive directors received updates on Group-wide matters including strategy, ESG issues, technology and governance.

The annual Remuneration Committee Chairs' Forum took place in November, and provided the principal subsidiary chairs with an opportunity to discuss the Group's performance and the Group Remuneration Committee's priorities. A follow-up forum was held in late November 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. The chairs of the principal subsidiary risk committees are regular attendees at the Group Risk Committee. Similarly, the Group Audit Committee Chair meets regularly with the principal subsidiary audit committee chairs to promote the sharing of information and best practices. These Group Board committees received escalated reports and certifications from the principal subsidiary risk and audit committees through the year.

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 2022. For a full description of key Board members' responsibilities, see www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities.

Roles	Board attendance in 2022	Responsibilities
Group Chairman Mark E Tucker[1,2]	15/15	• 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 internal and 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. • Leads on succession planning for the Board and its committees, ensuring appointments reflect diverse cultures, skills and experiences.
Executive Director **Group Chief Executive** Noel Quinn[2]	15/15	• 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, customers, regulators, governments and investors. • Maintains responsibility and accountability for the Group's and its employees' compliance with applicable laws, codes, rules and regulations, good market practice and HSBC's own standards.
Executive Director **Group Chief Financial Officer** Ewen Stevenson[2,4,6]	14/15	• Supports the Group Chief Executive in developing and implementing the Group strategy and recommends the annual budget and long-term strategic and financial resource 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 Director **Senior Independent Director** David Nish[2,3]	15/15	• 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.
Non-executive Directors		• 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. • Contribute to the assessment and monitoring of culture. • Maintain internal and external relationships with the Group's key stakeholders.
Geraldine Buckingham[3,5]	9/9	
Rachel Duan[2,3]	15/15	
Dame Carolyn Fairbairn[2,3]	15/15	
James Forese[2,3,6]	14/15	
Steven Guggenheimer[2,3]	14/15	
Irene Lee[2,4]	6/6	
Dr José Antonio Meade Kuribreña[2,3]	15/15	
Eileen Murray[2,3,6]	14/15	
Jackson Tai[2,3]	15/15	
Pauline van der Meer Mohr[2,3,4,6]	4/6	
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 29 April 2022.*
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 *Irene Lee and Pauline van der Meer Mohr retired from the Board on 29 April 2022. Ewen Stevenson retired from the Board on 31 December 2022.*
5 *Geraldine Buckingham joined the Board effective 1 May 2022.*
6 *Due to prior commitments Eileen Murray and Pauline van der Meer Mohr were not able to attend on 28 March 2022 and Steven Guggenheimer on 2 November 2022. Meetings held on 10 February 2022 and 25 November 2022 were ad hoc meetings called at short notice, and due to prior commitments, James Forese and Pauline van der Meer Mohr were unable to attend on 10 February 2022 and Ewen Stevenson was unable to attend on 25 November 2022.*

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 the Group Chairman and the 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 259.

The Chairman's Committee provides the Board with the opportunity to consider ad hoc and routine matters between scheduled Board meetings. All Board members are invited to attend Chairman's Committee meetings.

In addition to Board committees, working groups have been established to enhance Board governance, when appropriate, including the Board Oversight Sub-Group and the Technology Governance Working Group, which were first convened in 2019 and 2021, respectively. For further details of these committees, see page 248 and the box below.

The Group Executive Committee has established a number of committees to provide specialist oversight for matters delegated to the Group Chief Executive and senior management, which help fulfil their responsibilities under the Senior Managers and Certification Regime.

These committees support the Group Chief Executive and senior management in areas such as capital and liquidity, risk management, disclosure and financial reporting, restructuring and investment considerations, transformation oversight, ESG matters and talent and development.

Board

Chair: Mark Tucker

Chairman's Committee	Nomination & Corporate Governance Committee	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Informal governance
					Board Oversight Sub-Group
Chair: Mark Tucker	*Chair: Mark Tucker*	*Chair: David Nish*	*Chair: Jackson Tai*	*Chair: Dame Carolyn Fairbairn*	Chair: Mark Tucker
	See page 259	*See page 262*	*See page 271*	*See page 276*	**Technology Governance Working Group**
					Co-Chairs: Eileen Murray and Steven Guggenheimer

Group Executive Committee

Chair: Noel Quinn

Acquisitions and Disposals Committee	Disclosure and Controls Committee	Environmental, Social and Governance Committee	Group People Committee	Group Risk Management Meeting	Holdings Asset and Liability Committee	Transformation Oversight Executive Committee
Chair: Noel Quinn	*Chair: Ewen Stevenson*[1]	*Co-Chairs: Celine Herweijer and Aileen Taylor*	*Chair: Elaine Arden*	*Chair: Pam Kaur*	*Chair: Ewen Stevenson*[1]	*Chair: Ewen Stevenson*[1]

1 Georges Elhedery took over as chair from 1 January 2023.

ESG governance

With ESG issues rising up the global agenda, including with the transition to a sustainable economy, we understood the need to embed ESG considerations more deeply into our governance processes. In February 2021, the Board approved the establishment of an executive level ESG committee to support senior management in the delivery of the Group's ESG strategy and development of key policies. The ESG Committee also aims to track the Group's progress against material commitments by providing holistic oversight, coordination and management of ESG activities. The ESG Committee is jointly chaired by the Group Chief Sustainability Officer and the Group Company Secretary and Chief Governance Officer. The committee oversees all areas of environmental, social and governance issues, with support from accountable senior management in relation to their particular areas of responsibilities. Key representatives from the functions and global businesses attend to provide insights on the implementation of the ESG strategy across the Group, allowing the ESG Committee to make recommendations to the Board in respect of ESG matters.

Technology governance

The Technology Governance Working Group was established by the Board in early 2021 to enhance its oversight of technology strategy, governance and emerging risks, as well as to strengthen connectivity with the principal subsidiaries. The role of the working group is regularly reviewed by the Board. It was agreed in January 2022 that it should continue as an informal committee of the Board for the duration of 2022, and it was extended for a further 12 months in January 2023. The working group continues to be jointly chaired by two of the Board's non-executive Directors, Eileen Murray and Steven Guggenheimer, and members include the Group Risk Committee chair and other non-executive Directors representing our US, UK, European and Asian principal subsidiaries. The working group met formally six times in 2022. These meetings included deep dives on key strategic business initiatives, as well as updates on technology strategy implementation and cybersecurity matters, with attendance from key technology and business stakeholders. There were a number of joint sessions between the working group, the Group Audit Committee and the Group Risk Committee. For further details of these sessions, see pages 262 and 271.

Board induction and training

The Group Company Secretary and Chief Governance Officer works with the Group Chairman to ensure that all Board members receive appropriate training, both individually and collectively, throughout their time on the Board. On appointment, new Directors are provided with tailored and comprehensive induction programmes to fit with their individual experiences and needs, including the process for managing conflicts.

During 2022, we welcomed one new non-executive Director, Geraldine Buckingham, to our Board. In October, we also announced that Ewen Stevenson would be stepping down as Group Chief Financial Officer on 31 December 2022 and be replaced by Georges Elhedery. Georges Elhedery's induction programme commenced upon announcement of his proposed appointment, which included a detailed handover prepared by the Group Chief Financial Officer prior to Georges commencing the role from 1 January 2023.

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

Where possible, the induction process is initiated before appointment to allow each 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.

For illustrations of typical induction modules, see the 'Directors' induction and ongoing development in 2022' table below.

Directors undertook routine training during 2022 in subject matters that included: the risk management framework; financial crime; and health, safety and well-being. They were provided training by external counsel on their obligations when handling confidential and sensitive information. The Directors also participated in 'deep dive' sessions into specific areas of the Group's strategic priorities, risk appetite, approach to managing certain risks, climate-aligned finance and market abuse regulations. 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 receive training that is pertinent to circumstances and context relevant to those boards. Opportunities exist for the principal subsidiary committee chairs to share their understanding in specific areas with the Board Directors as part of the Chairman's Forum.

Directors' induction and ongoing development in 2022

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

● *Matter considered* ○ *Matter not considered*

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 2022 included: 'Sustainability operating model', 'Implications from the Russia-Ukraine conflict' and 'Strategy execution of Asia wealth'.*

3 *Directors received risk and control training and briefings. Examples of specific sessions held in 2022 included: 'Interest rate risk of the banking book strategy' and 'ICAAP/ILAAP'.*

4 *All Directors received training on topics such as: 'Resolvability assessment framework', 'Climate-aligned finance', 'Data literacy' and 'Cyber ransomware'.*

5 *Global mandatory training, issued to all Directors, mirrored training undertaken by all employees, including senior management. This included: management of risk under the risk management framework; cybersecurity risk; health, safety and well-being; sustainability; financial crime, including understanding money laundering, terrorist financing, tax, sanctions, fraud and bribery and corruption risks; our values, including workplace harassment; and data privacy and the protection of data of our customers and colleagues.*

6 *These included the Chairman's Forum, Remuneration Committee Chairs' Forum and the Non-Executive Director Summits.*

Board stakeholder engagement during 2022

The Board is committed to engaging with key stakeholders, including colleagues, and welcomed the increased focus on bringing the employee voice into the boardroom, as envisaged by the revisions made to the UK Corporate Governance Code in 2018.

The Board had previously decided that, given HSBC's size, scale and geographical spread, the 'alternative arrangements' approach for workforce engagement under the UK Corporate Governance Code was the suitable option. The Board reviews this annually, and in light of the challenges facing the organisation and colleagues from factors outside of HSBC's control, including the Covid-19 pandemic, decided to strengthen its practices through the introduction of a non-executive Director with designated responsibility for workforce engagement. It was agreed by the Board's Nomination & Corporate Governance Committee in May 2022 to appoint José Meade to the new role of dedicated workforce engagement non-executive Director. This approach assists with the employee voice being heard in Board discussions and helps inform decision making.

The appointment of a designated workforce engagement non-executive Director does not restrict other Board members from engaging with the workforce, particularly as it is not possible for one person to represent the diversity of views across the entirety of the Group. It remains the responsibility of all Directors to consider stakeholder views, including employees.

The programme of workforce engagement for 2022 continued to be delivered through a variety of interaction styles, both in person and virtually, to accommodate the breadth of experience, geographical spread and range of seniority of our employees. Such activities included bespoke sessions with smaller groups, formal presentations and Q&A opportunities. These engagements were designed to promote and deliver open dialogue and two-way discussions between Directors and colleagues, allowing the Board to gain valuable insight on employee perspectives. This in turn informed Directors' deliberations and decision making in Board and committee meetings.

To help inform the Board of employee initiatives and sentiment and allow the Board to plan for future engagement activities, Directors received regular workforce engagement papers at Board meetings. The Board's agenda also regularly included non-executive Director workforce and other stakeholder engagement updates. These updates were addressed in the Group Chief Executive's Board report and the Group Chief Human Resources Officer's report on employee views and sentiment, particularly around employee Snapshot surveys. The Chairman's Forum meetings also discussed employee feedback from the Group's subsidiaries and received workforce engagement updates from each of the principal subsidiary chairs.

Engagement activity between the Board and the wider workforce included meetings and events between representatives of the eight employee resource groups and the non-executive Directors who have been designated to support them. These included:

- a virtual Nurture event with working parents and carers, which reflected on the HSBC colleague survey and how more relevant data could be captured and actioned;
- two Pride events with our LGBTQ+ colleagues, during which participants shared their thoughts, explored what Pride had achieved, discussed future opportunities and considered how Directors could advocate and support the work of Pride; and
- an in-person event with employee resource group leaders based in Hong Kong to discuss what motivates them to be employee resource group leaders, share achievements and discuss opportunities to align outcomes across the Group.

For more examples of how the Board has engaged with the workforce and other stakeholders see 'Board decision making and engagement with stakeholders' on page 20.

Workforce engagement non-executive Director

"I was pleased when the Board took the decision to create this role and asked me to assume the position of workforce engagement non-executive Director. Our colleagues, and the culture we promote, are key to our success in achieving our purpose of opening up a world of opportunity.

My role and responsibilities, summarised in the chart below, are clear, but I appreciate that given the scale of our organisation, and the newness of this responsibility, it is critical that I execute this role with focus and intent to understand the employee voice, and communicate this to the Board. Notwithstanding the challenges, I am dedicated to do what I can to meet and speak with a broad spectrum of our people, across global businesses, regions and functions.

With the easing of Covid-19 restrictions in 2022, and as the Board resumed travel for meetings, I used these opportunities to connect with employees on a number of topics. Each experience has been enlightening and I am encouraged to see how common themes and reflections are being addressed.

While I cannot represent and hear every employee voice, I will endeavour to listen to what our colleagues are saying around the world. With a dedicated plan of action for 2023, I see this role evolving such that I will be able to add value to – and help drive more in-depth Board discussions on – topics that affect our people.

I look forward to reporting in the future on the progress made."

Dr José Antonio Meade Kuribreña

Workforce engagement non-executive Director

Lunch with graduates

Mexico City, HSBC Tower

July 2022

Role of the workforce engagement non-executive Director at a glance

Headline responsibilities:

- Engages, understands, represents colleagues globally.
- Receives employee perspectives through formal and informal engagement.
- Represents the employee voice at Board meetings for consideration during decision making.

Feedback given and considered

Holdings Board
↑
Workforce engagement non-executive Director
↑

	Data				Direct engagement			
Means of engagement	Surveys/ Snapshot		Employee jams	Audits	Chairs of principal subsidiaries	Virtual 'field' trips		Geographical visits
Reach	Global		Global	Sample	Regional	Specific interest groups		Direct engagement
	↑	↑	↑	↑	↑	↑	↑	↑
Likely issues/ topics	Purpose, culture values	Strategy and growth	Pay	Performance management	Working conditions/ future of work	Diversity and inclusion	Change and transformation	Climate/ESG

Activities during 2022

José Meade's appointment was announced to the workforce jointly by the Group Chairman and Group Chief Executive on 1 June 2022. This was positively received by colleagues, several of whom reached out directly to José with engagement ideas.

Since his appointment, José has undertaken a variety of engagements in his role including:

Employee views – Mexico, US, India, UK, Hong Kong, Argentina, Brazil, Chile and Uruguay

In the weeks immediately following his appointment, José had 25 meetings with colleagues in nine countries, in person and virtually, across most areas of the Group. Topics discussed included: the need for continued focus on areas such as well-being, and diversity and inclusion; and enhancement of technology. Following such discussions, several suggestions were made, including strengthening employee retention strategies, increasing career ownership within teams and improving information gathering analysis and dissemination following exit interviews to relevant colleagues in the Group.

Graduates – Mexico, US

During the year, José met with Mexican graduates in person and US graduates virtually to share experiences of HSBC's graduate programme.

GBM – UK

José participated in an in-person meeting with a diverse group of Global Banking colleagues in London to share experiences and views on people matters, women in finance, diversity and inclusion, and career development.

Global Service Centre – Mexico

José joined colleagues for a meeting with Global Service Centre employees to understand their perspective on working life.

Employee resource groups – Global

José participated in the virtual annual employee resource group summit and heard about the groups' leaders' successes and challenges. He connected with representatives in the UK, Mexico, India, Dubai, Hong Kong, Singapore and the US.

Employee resource groups – Dubai

José joined an in-person meeting with the chapter leads of the five employee resource groups active in MENA (Ability, Balance, Embrace, Generations and Nurture).

Visit to Global Service Centre, Mexico City, Tecnoparque

October 2022

Engagement highlights

65
Sessions attended by executive and/or non-executive Directors

1,500+
Number of employees engaged

38
Sessions attended by workforce engagement non-executive Director

600+
Number of employees engaged by workforce engagement non-executive Director

12+
Countries of engagement

73%
Highest employee engagement survey response

Priorities for 2023

- Review opportunities with Human Resources to ensure the right insight is being gained from employees to support and better inform the Board when taking decisions.
- Attend six larger-scale employee engagement events aligned to Board meeting agenda items to foster debate and discussion.
- Plan further international employee engagement opportunities in addition to the Board travel plans.

Board activities during 2022

During 2022, the Board remained focused on HSBC's strategic direction, 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 2022 are set out by theme below.

Strategy and business performance

The Group's strategy remains focused on increasing returns for investors, creating capacity for future investment and building a sustainable platform for growth. In 2022, each Board meeting featured the Group's strategic performance on its agenda, facilitating opportunities to track its delivery throughout the year, and providing opportunity to shape how it was developed. The Board reviewed progress within the Group's global businesses and regions, as well as against its four strategic pillars of: focus on our strengths, digitise at scale, energise for growth and transition to net zero.

The Group's strategic transformation programme came to a formal conclusion in December 2022, having delivered against its objectives to reshape underperforming businesses, simplify the organisation, reduce costs and reallocate risk-weighted assets. Transformation remains a key business focus as it is embedded throughout the organisation and its operations.

Environmental, social and governance

In 2020, the Group announced a climate ambition to align its financed emissions to net zero by 2050, and to become net zero in its own operations and supply chain by 2030. The Group aims to achieve this by supporting clients' transition to a net zero carbon economy and focusing on sustainable finance opportunities, as well as by reducing the carbon emissions in its own operations.

The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. The Board considered whether to establish a Board committee dedicated to ESG issues, but instead decided that the best way to support the oversight and delivery of the Group's climate ambition and ESG strategy was to retain governance at Board level. The Group Executive Committee enhanced its governance model of ESG matters with the introduction of a dedicated ESG Committee and supporting forums. These support senior management in the delivery of the Group's ESG strategy, key policies and material commitments by providing oversight over – and management and coordination of – ESG commitments and initiatives.

In 2022, the Board oversaw the implementation of ESG strategy through regular dashboard reports and detailed updates including: reviews of net zero policies, financed emissions target setting and climate-aligned financing initiatives.

Financial decisions

The Board and its dedicated committees approved key financial decisions throughout the year, including the *Annual Report and Accounts 2021*, the *Interim Report 2022* and the first quarter and the third quarter *Earnings Releases*.

At the end of 2021, the Board approved the 2022 financial resourcing plan. The Board monitored the Group's performance against the approved plan, as well as the plans of each of the global businesses. The Board also approved the renewal of the debt issuance programme. In December 2022, the Board approved the financial resourcing plan for 2023.

The Board adopted a dividend policy designed to provide sustainable cash dividends, while retaining the flexibility to invest and grow the business in the future, supplemented by additional shareholder distributions, if appropriate. For the financial year 2022, we achieved a dividend payout ratio within our 2022 target range of between 40% and 55% of reported earnings per ordinary share ('EPS'). As previously communicated, given our current returns trajectory, we are establishing a dividend payout ratio of 50% of reported earnings per share for 2023 and 2024, excluding material significant items (including the planned sale of our retail banking operations in France and the planned sale of our banking business in Canada).

On 22 February 2022, we announced an interim dividend of $0.18 per share for the 2021 full-year, and on 1 August 2022 we announced an interim dividend of $0.09 per share for the 2022 half-year. For further details of dividend payments, see page 418.

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 by the Board and/or its relevant committees. 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
- the Group's revised delegation of authority policy.

The Board also reviewed and monitored the implications of geopolitical and macroeconomic developments during the year.

Technology

Throughout the year, the Board received regular updates on technology from the Group Chief Operating Officer, including on the implementation of the technology strategy and key strategic business initiatives. As technology is crucial to help deliver the Group's strategic objectives, including the strategic pillar 'Digitise at scale', strategy papers covered technology issues throughout the year. In December, the Board discussed a digital technology map, a new tool that could help simplify, prioritise and drive change in the Group's technology estate. For further details, see 'Principal decisions' on page 22.

The Technology Governance Working Group continued to oversee and enhance the Group's governance of technology. For further details of this working group, see page 251.

People and culture

The Board continued to dedicate time in its meetings to discuss people-related and culture-related topics, to help raise its awareness of employee and other stakeholder perspectives. The Board is committed to setting the right cultural tone, with each Board meeting beginning with a 'culture moment', which includes observations of behaviours within the Group aligned to its purpose and values.

Group subsidiary directors' approaches to workforce engagement were presented by each of the chairs from the principal subsidiaries to the Chairman's Forum, where they discussed their respective board engagement activities with the workforce, as well as what they learned as part of such engagements and other cultural insights. The

Board also receives insights from the all-employee Snapshot survey, which measures employee sentiment. A culture insights report, developed in 2021, provides the Board with key data indicators, such as behaviours, sentiment, business outcomes and people to allow it to monitor culture across the Group.

Board engagement with management and the wider workforce continued to remain a strong area of attention, particularly with the appointment of a dedicated workforce engagement non-executive Director. For further details of the work of the workforce engagement non-executive Director, see page 253.

Governance

The Board continued to oversee the governance, smooth operation and oversight of the Group and its principal and material subsidiaries.

The Board and senior management supported improvements to governance initiatives to encourage simplification and promote effective decision making in the business. Such improvements included making refinements to Board and committee paper templates, and reducing unnecessary committee meetings to free management time and encourage individual accountability and decision taking.

During the year, Pauline van der Meer Mohr and Irene Lee retired as independent non-executive Directors, and Ewen Stevenson resigned as Group Chief Financial Officer. The Board appointed Geraldine Buckingham as an independent non-executive Director in May 2022, and Georges Elhedery as Group Chief Financial Officer from 1 January 2023. The Board, supported by the Nomination & Corporate Governance Committee, reviews the skills and experience of the Board on an ongoing basis. This ensures that the Board and its committees comprise the necessary skills, diversity, experience and competencies to discharge their responsibilities effectively. For further details of the review and changes to the Board, see the Nomination & Corporate Governance report on page 259. For further details of diversity of the Board, see page 247.

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.

Board engagements with shareholders

In 2022, Board members remained responsive to shareholder requests to engage, and certain of the Board met with key investors including Ping An Asset Management Co. Ltd. The Group Chairman and the Senior Independent Director, often with the Group Company Secretary and Chief Governance Officer, engaged with a number of our large institutional investors in 19 meetings. The Group Chief Executive and the Group Chief Financial Officer, together and separately, attended over 100 meetings with investors. Key topics included our financial performance, updates on strategy and market presence, geopolitical risks and the macroeconomic outlook in key geographies.

The Group Remuneration Committee Chair also met with key investors and proxy advisory firms during the fourth quarter of 2022. These sessions provided useful insight into investor views on key areas of decision making for the Group Remuneration Committee, including our approach to the 2022 pay review for executive Directors and the wider workforce. For further details of the Group Remuneration Committee report, see page 276.

Board activities in 2022

Main topic	Sub-topic	Meetings at which topics were discussed[1]									
		Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Nov	Dec
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	●	●	○	●	○	○	○	○	○	○

● *Matter considered* ○ *Matter not considered*

1 *No Board meetings were held during August and October 2022.*
2 *Includes resolvability assessment framework, modern slavery and human trafficking, statement of business principles and code of conduct, regional updates and listing renewals.*
3 *Meeting attended by members of the Prudential Regulation 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. The Board intends to conduct an independent evaluation in 2023.

For 2022, the Nomination & Corporate Governance Committee agreed that the evaluation of the Board and its committees would again be conducted internally. The process included the completion of a questionnaire, issued 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, some based on themes from the 2021 evaluation findings. A summary of the effectiveness reviews of the Board and the Board committees can be found on page 258 and in the respective committee reports from page 259.

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

Overall, the work of the Board was rated highly and it was viewed as operating effectively. In general, there were consistent findings across the Board and committee reviews. These included:

- a positive view of the effectiveness of the Chairs of the Board and committees and the participation of its members;
- a greater desire to be even more forward looking;
- a need for continued focus on the quality of meeting materials to ensure that content remains focused, clear and precise; and
- continued collaboration between the Board committees.

At its January 2023 meeting, the Group Chairman led a discussion with the Board and considered the findings. The following areas of focus were discussed and actions agreed: a revised approach to tracking strategy execution; continued development of the timeline of sustainability and technology deliverables; simplification and prioritisation of deliverables and interdependencies; and enhanced focus on customer stakeholder engagement.

Actions will be monitored and addressed on an ongoing basis. Similar discussions were led by each of the committee chairs in their respective January meetings. Progress against these actions will be included in the *Annual Report and Accounts 2023*.

During 2022, 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 their pay outcomes each year, is contained in the Directors' remuneration report on page 276.

Board and Committee evaluation process

The Board made good progress against all of the action points identified during the 2021 evaluation. In particular, the Board:

- enhanced its composition with the appointment of Geraldine Buckingham, which brought significant Asia leadership experience;
- maintained a focus on succession planning, with a view to strengthening its expertise in banking and improving its representation from Asia;
- strengthened workforce engagement, with the appointment of José Antonio Meade Kuribreña as designated non-executive Director for workforce engagement;
- devoted time to the consideration of key areas of focus, including digital opportunities and threats, ESG and strategic risk;
- continued to monitor compliance with the subsidiary accountability framework; and
- enhanced coordination and collaboration between its committees, with combined meetings of the Group Audit Committee, Group Risk Committee and Technology Governance Working Group held during the year.

Summary of 2022 Board effectiveness findings and recommendations for action:

	Findings from the evaluation	Recommendations for action
Strategy, execution and deliverables	• The Board's strategic oversight was rated positively overall, although the consistency of management's articulation, tracking and execution of progress against the Group's strategy could be strengthened. It was recommended to increase the use of metrics to show comparable progress against key deliverables. • The Board's approach to the oversight of the Group's sustainability strategy was rated positively, although the monitoring of sustainability-related key targets required greater clarity. • The Board's oversight of technology strategy was considered strong and it was suggested that the Board required a more detailed plan of digital deliverables to enable continuous monitoring and performance tracking.	• The Group Chief Executive should develop a revised set of metrics related to performance, execution and risk management, as well as other key value drivers, as appropriate. • The Group Chief Executive and relevant accountable executives should develop a timeline of ESG and technology deliverables and milestones.
Simplification and prioritisation	• The importance of devoting sufficient time to challenging management's progress on simplification and prioritisation was highlighted. It was suggested that the Board provide greater oversight of management prioritisation of key projects and strategic deliverables.	• A Board session should be held annually on organisational simplification and prioritisation of deliverables and interdependencies.
Stakeholder engagement	• Engagement with stakeholders was strong, including the focus on the employees, in the year. The Board asked that further enhancements be considered, in particular customers given the current macroeconomic headwinds.	• The Board's stakeholder engagement plan should be reviewed to ensure that all members of the Board have sufficient opportunity to engage with, and understand the views, of the Group's key stakeholders.
Meeting materials	• It was recognised that meeting materials had improved considerably over recent years, but it was emphasised there was opportunity for further improvement around consistency, comparability and ownership. Stakeholder considerations could be better incorporated in Board papers to support decision making.	• Training and/or guidance should be provided to all paper authors in 2023.

Nomination & Corporate Governance Committee

"Developing our skills and experience, and diversity and inclusion ambitions remains a priority and the Committee will continue to oversee and enhance the succession pipeline at Board and senior leadership level."

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.

During 2022, the Committee continued to review the Board's composition, succession planning, skills, experience and diversity, to ensure that the Group operated in line with its ambition of world class governance.

On behalf of the Board, the Committee oversaw a number of changes to Board composition, including the retirements of Pauline van der Meer Mohr and Irene Lee, and the appointment of Geraldine Buckingham. The Committee also closely monitored executive succession planning, in particular the transition of the Group Chief Financial Officer, with Georges Elhedery succeeding Ewen Stevenson from 1 January 2023. Ewen leaves with our sincere thanks for the significant contribution that he has made to the Board and to the broader Group over the past four years.

Jackson Tai will retire from the Board at the conclusion of our 2023 AGM in May and will be succeeded as Chair of the Group Risk Committee by James Forese. On behalf of the Board, I wish to thank Jackson for his outstanding dedication and the significant contribution he has made to the success of the Group, in particular the improvement in our oversight and governance of risk and conduct. James' significant banking and risk experience will be invaluable in the leadership of the Group Risk Committee as the Group continues to deliver on its transformation and growth strategy, in a safe and sustainable manner.

On 1 March 2023, Kalpana Morparia will join the Board, strengthening both its collective Asia business and banking knowledge and experience, and diversity.

Developing our skills and experience, and diversity and inclusion ambitions of the Board and senior management, remains a priority and the Committee will continue to oversee and enhance the succession pipeline at Board and senior leadership level through 2023. This will build on the revised gender and ethnic representation targets introduced within the diversity and inclusion policy, and the work led by management on developing successors for senior leadership roles and under the Asia Talent programme. Our Board diversity and inclusion policy, which contains our revised targets, can be found on hsbc.com.

During 2022, we also took the decision to establish a new Board role designated with responsibility for ensuring that the employee voice is strengthened within the Board's deliberations. The creation of the role was a natural evolution of the work already undertaken to enhance stakeholder engagement within Board decision making. In this role, José Meade will lead our workforce engagement on behalf of the Board, supported by the Corporate Governance and Secretariat and Human Resource functions. Further details on the role and initial areas of focus can be found on page 253.

Membership

	Member since	Meeting attendance in 2022
Mark Tucker (Chair)	**Oct 2017**	**7/7**
Geraldine Buckingham[1]	**May 2022**	**4/4**
Rachel Duan[2]	**Sep 2021**	**6/7**
Dame Carolyn Fairbairn	**Sep 2021**	**7/7**
James Forese	**May 2020**	**7/7**
Steven Guggenheimer	**May 2020**	**7/7**
Irene Lee[3]	**Apr 2018**	**3/3**
José Antonio Meade Kuribreña	**Apr 2019**	**7/7**
Eileen Murray[2]	**Jul 2020**	**5/7**
David Nish	**Apr 2018**	**7/7**
Jackson Tai	**Apr 2018**	**7/7**
Pauline van der Meer Mohr[3]	**Apr 2016**	**3/3**

1 *Geraldine Buckingham was appointed to the Board and joined the Committee on 1 May 2022.*
2 *Rachel Duan was unable to attend the July committee meeting due to a pre-existing engagement. Eileen Murray was unable to attend the April and September meetings for personal health reasons.*
3 *Irene Lee and Pauline van der Meer Mohr stepped down from the Board and the Committee following the conclusion of the AGM on 29 April 2022.*

The Committee's role in overseeing these changes is outlined on the following pages.

As we look ahead to 2023, the Committee will consider the changes to the UK audit, governance and regulatory regimes, including updates to the UK Corporate Governance Code, and the steps needed to ensure the Group continues to operate in line with best practice.

Mark E Tucker
Chair
Nomination & Corporate Governance Committee
21 February 2023

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, the Group Chief Human Resources Officer, and the Group Head of Talent routinely and selectively attended Committee meetings. The Group Company Secretary and Chief Governance Officer attends all Committee meetings and supports the Group Chairman in ensuring that the Committee has fulfilled its governance responsibilities.

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

Board composition and succession

The Committee continued its focus on ensuring that the Board and its members, both collectively and individually, possess the skills, knowledge and experience necessary to oversee, challenge and support management in the achievement of the Group's strategic and business objectives.

In addition to the retirements of Irene Lee and Pauline van der Meer Mohr, the Board welcomed Geraldine Buckingham, who most recently held the position of Head of Asia-Pacific at BlackRock. She was appointed to the Board with effect from 1 May 2022.

In October, the Group announced the appointment of Georges Elhedery as an executive Director and Group Chief Financial Officer with effect from 1 January 2023. This decision followed a review by the Committee of the composition of the Group Executive Committee with a particular focus on long-term succession planning. It was concluded, based on the recommendation of the Group Chief Executive, that Georges, who was previously co-Chief Executive Officer of Global Banking and Markets, should replace Ewen, who stepped down from the Board at the end of 2022. Georges, who has a track record of driving growth and managing change and who brings a strong focus on execution, will help the Group to accelerate delivery of improved financial performance and shareholder returns.

In advance of taking up the role, Georges spent significant time with Ewen to ensure an orderly handover of responsibilities. The Board has put in place a tailored development and support plan for Georges as he transitions to his new role, which will be overseen by the Committee.

The Committee expects that non-executive Directors serve two three-year terms, with any appointments beyond this to be determined on an annual basis with reference to the needs of the Board and the performance and contribution of the individual. In view of the importance of continuity for key roles on the Board, particularly given the current economic and geopolitical environment, the Committee agreed that David Nish's appointment should be extended for a further year to the 2024 AGM, subject to his re-election by shareholders. In taking this decision, the Committee considered the need for an effective transition in relation to the Senior Independent Director and Chair of the Group Audit Committee roles, both of which David currently holds. It is the Board's strong belief that this extension of David's appointment, given his performance and contribution to the Board during 2022, is in the best interests of the Group and all of its stakeholders.

As referenced in our 2021 report, the Committee agreed to prioritise in future appointments significant previous executive experience in banking, as well as with deep business and cultural expertise across Hong Kong and mainland China, and south-east Asia. A number of potential candidates meeting the desired skills and experiences were identified, a shortlist of which were considered and discussed by the Committee. Following meetings between various members of the Committee and priority candidates to understand their respective interests and capacities, the Board accepted the Committee's recommendations and approved the appointments of Geraldine Buckingham with effect from 1 May 2022 and Kalpana Morparia with effect from 1 March 2023.

Strengthening the Board's collective experience in these areas remains a priority, and the Committee will continue to discuss broader succession planning for key roles on the Board and committees through 2023, and beyond. In addition, succession planning will have regard to diversity and inclusion targets and expectations. The Committee is focused on identifying candidates with the following skills and experience for future appointments to the Board:

- significant executive experience in banking;
- deep business and cultural expertise across Asia, in particular Hong Kong and mainland China, and the Middle East, given the geographical mix of the Group's business and the importance of these regions to the strategy and future growth; and
- previous public company leadership experience.

The Committee will continue to monitor the market for potential candidates for appointment to the Board in both the short and medium term, to ensure that the Board has a pipeline of credible successors and continues to be equipped to effectively discharge its responsibilities.

Board diversity

The Board recognises the importance of gender, social and ethnic diversity, and the strengths diversity brings to Board effectiveness. Diversity is taken into account in its broadest sense when considering succession plans and appointments at both Board and senior management level, as well as more broadly across the Group.

Over the past 12 months, there has been significant focus on diversity at Board level, including as a result of the updated guidance and targets issued by the FTSE Women Leaders Review (formerly the Hampton-Alexander review) and the UK Listing Authority. The Board is supportive of the proposals and, in line with the Board diversity and inclusion policy, remains committed to increasing diversity at Board and senior levels to ensure we reflect the markets and societies we serve. This policy, which was updated in 2022 to incorporate new targets on female representation, details our approach to achieving our diversity ambitions, and ensures that diversity and inclusion factors are considered 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 2022, the Board had 33% female representation, with four female Board members out of 12. Following our recent announcement in relation to Kalpana Morparia and Jackson Tai, this leaves us on track to meet our aspirational target of at least 40% female representation on the Board by the end of 2023, ahead of the end of 2025 expectations set by the FTSE Women Leaders Review for gender representation on Boards.

The FTSE Women Leaders Review also published revised gender representation targets, specifically the expectation that a woman holds at least one of the senior Board positions of Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer by the end of 2025. The Committee considers succession for these key Board roles on an ongoing basis and will take into account the need for greater diversity when considering candidates for appointment to these roles in future. At the end of 2022, all those holding these senior Board positions at the Group were male. The Board is committed to achieving this target by the review's end of 2025 deadline.

The Board continued to exceed the Parker Review target of having at least one Director of diverse ethnic heritage, with three members of our Board self-identifying in line with the ethnicity/ethnic definition set by the Parker Review. Given the global and international nature of our business, including our strong presence and heritage in Asia, the Committee considers that the Board should comprise a greater proportion of diverse ethnic heritage Directors than anticipated by the Parker Review. The Board's targets were revised to reflect this commitment and therefore to maintain or improve the current representation of directors from a diverse ethnic heritage.

Further details on activities to improve diversity across senior management and the wider workforce, together with representation statistics, can be found on page 308.

Diversity of our principal subsidiary boards has also improved as a result of the Committee's focus on succession planning and regular refreshment of subsidiary boards, with gender representation improving across all seven of our principal subsidiaries. The HSBC Bank Director Programme, delivered in partnership with IMD Business School during the first half of 2022, has also helped to prepare senior talent for roles on our subsidiary boards. A number of the graduates who participated in the programme have been provided with opportunities on subsidiary boards, enhancing the skills, experience and diversity of our subsidiary boards. This programme will operate regularly with the next cohort scheduled to take place in 2024.

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.

In line with the requirements of the Hong Kong Corporate Governance Code, the Committee also reviewed and considered the mechanisms in place to ensure independent views and input are available to the Board. These mechanisms include:

- having the appropriate Board and Committee structure in place, including rules on the appointment and tenure of non-executive Directors;
- facilitating the option of having brokers and external industry experts in attendance at Board meetings during 2022, as well as having representatives from the Group's key regulators attend Board meetings in relation to specific regulatory items;
- ensuring non-executive Directors are entitled to obtain independent professional advice relating to their personal responsibilities as a Director at the Group's expense;
- having terms of reference for each Committee and the Board provide authority to engage independent professional advisers; and
- holding annual Board and Committee effectiveness reviews, with feedback sought from members on the quality of, and access to, independent external advice.

Senior executive succession and development

The outputs from the annual capability review, including updated succession plans for the Group Executive Committee members, were considered and approved by the Committee in December 2022. These reflected continued efforts to support the development and progression of diverse talent and promote the long-term success of the Group, with the gender diversity and proportion of Asian heritage successors improving year on year. This included future internal and external succession options for the Group Chief Executive, to ensure that the Committee has a robust and actionable succession plan when required.

The Committee also continued to receive updates on the development of our talent programme within the Asia-Pacific region.

Since its launch in 2020, significant progress has been made towards ensuring that we have a deeper and more diverse leadership bench-strength. Succession plans are more robust, with greater diversity and good succession fulfilment outcomes.

Committee evaluation

The annual review of the effectiveness of the Committee was internally facilitated in 2022. The review concluded that, overall, the Committee continued to operate effectively and in line with regulatory requirements. However, a number of areas for enhancement were identified, including the need for a continued focus on succession planning for the Group Chief Executive, the Committee Chair, the Senior Independent Director and future non-executive Directors, ensuring plans supporting the Board's objectives in relation to diversity and stakeholder needs. Other areas of focus included the continued identification of both internal and external talent, training requirements and the retention strategy for high performing individuals. Certain priority areas of focus for the Committee across 2023 were suggested, including the continued monitoring of progress of governance within material and principal subsidiaries (as defined in the subsidiary accountability framework), and the need to review the external advisers supporting the Committee. The outcomes of the evaluation have been reported to the Board, and the Committee will track the progress in implementing recommendations during 2023. In line with the UK Corporate Governance Code, the 2023 Board and Committee performance review will be externally facilitated.

The Committee has initiated the process for the selection of the independent board evaluator, with a decision on the evaluator to be taken within the first half of the year to allow the review to commence in the second half of 2023. A report on the process, findings and recommendations will be disclosed in the *Annual Report and Accounts 2023*.

The Committee was kept updated on progress on actions agreed following its 2021 evaluation, which were all completed.

Subsidiary governance

In line with the subsidiary accountability framework introduced in 2021, the Committee continued to oversee the corporate governance and succession arrangements across the principal and material subsidiary portfolio. Where appropriate and subject to strong rationale, the Committee approved exceptions from strict compliance with the framework, including to reflect local law and regulation, as well as market practice. The Committee has reinforced its expectations that subsidiaries take steps to achieve full compliance with the framework, with any exception requests subject to thorough review and consideration by the Group Company Secretary and Chief Governance Officer in advance of consideration by the Committee.

Matters considered during 2022

	Jan	Feb	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	●	○	●	○	●	●	●

● *Matter considered* ○ *Matter not considered*

Group Audit Committee

"The Committee reviewed management's arrangements for compliance and assurance over regulatory reporting processes, and progress of HSBC-specific reviews of regulatory reporting."

Dear Shareholder

I am pleased to introduce the Group Audit Committee ('GAC') report setting out the key matters and issues considered in 2022.

We welcomed Eileen Murray, who rejoined the GAC in 2022, and Rachel Duan, who was appointed to the Committee in April 2022. Pauline van der Meer Mohr stepped down from the Board and James Forese stepped down from the GAC to assume new Board responsibilities. I would like to thank them both for their support and insightful contributions to the work of the GAC.

The GAC continued to provide oversight of change and transformation programmes to enhance the Group's internal controls over financial reporting. We challenged management on its forecasts and confidence in the delivery of externally communicated targets in an uncertain external environment. The Committee also reviewed management's arrangements for compliance and assurance over regulatory reporting processes, and progress of HSBC-specific reviews of regulatory reporting.

We continued to strengthen our relationships and understanding of issues at the local level through regular information sharing with the principal subsidiary audit committee chairs. This was supplemented with regular meetings with the principal subsidiary audit committee chairs to discuss key issues, and through their attendance at GAC meetings. I also joined a number of principal subsidiary audit committee meetings throughout the Group.

The Group's whistleblowing arrangements continue to satisfy regulatory obligations and I regularly met the whistleblowing team to discuss material whistleblowing cases. Efforts were made in 2022 to drive continuous operational improvements and to provide deeper insights to support our purpose, values and conduct approach. Actions were also taken to make use of best practices across investigative functions and to enhance the experiences of colleagues when they report concerns at HSBC.

The Committee oversaw the retendering for statutory audit services for the 2025 year-end. This process included detailed qualification activities, thorough evaluation of firms, consideration of evolving UK legislation and guidelines, and engagement with regulators. The GAC recommended to the Board that PwC be reappointed for a further term of 10 years commencing 1 January 2025.

The Committee implemented all the actions from the 2022 evaluation and the 2023 review determined that the GAC continued to operate effectively.

David Nish

Chair

Group Audit Committee

21 February 2023

Membership

	Member since	Meeting attendance in 2022[1]
David Nish (Chair)	**May 2016**	**13/13**
Rachel Duan[2]	**Apr 2022**	**6/8**
James Forese[3]	**May 2020**	**5/5**
Eileen Murray[4]	**Jun 2022**	**6/8**
Jackson Tai	**Dec 2018**	**13/13**
Pauline van der Meer Mohr[5]	**Apr 2020**	**5/5**

1 *These included four joint meetings with the Group Risk Committee ('GRC') and the Technology Governance Working Group.*
2 *Rachel Duan was unable to join two meetings due to prior commitments made before becoming a GAC member.*
3 *James Forese stepped down from the GAC on 1 June 2022.*
4 *Eileen Murray rejoined the GAC on 1 June 2022, and was unable to attend two meetings due to personal circumstances.*
5 *Pauline van der Meer Mohr retired from the Board on 29 April 2022.*

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 management's arrangements for compliance with prudential regulatory 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. The Board also receives copies of the Committee agendas 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 2022

	Jan	Feb	Apr	Jun	Jul	Sep	Oct	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	●	●	●	○	●	○	●	●
Audit plan updates, independence and effectiveness	●	○	●	○	●	○	○	●
External audit								
Reports from external audit, including external audit plan	●	●	●	●	●	●	●	●
Appointment, remuneration, non-audit services and effectiveness	●	●	●	●	●	●	○	●
Audit tender	●	○	●	●	●	●	○	●
Compliance								
Accounting standards and critical accounting policies	○	●	○	●	●	○	●	●
Corporate governance codes and listing rules	○	●	○	●	●	○	○	○
Whistleblowing								
Whistleblowing arrangements and effectiveness	○	●	○	○	○	●	○	●

● *Matter considered* ○ *Matter not considered*

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, Jackson Tai and Eileen Murray 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 continued to engage with regulators, including the UK's PRA and the Financial Reporting Council. These included trilateral meetings involving the Group's external auditor, PwC.

The Committee assessed the adequacy of resources of the accounting, internal audit, financial reporting and ESG performance and reporting functions. 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 GAC strengthened its working relationship with the principal subsidiary audit committees through formal and informal channels. The GAC Chair regularly met the chairs of the principal subsidiary audit committees to enable close links and deeper understanding on judgements around key issues. The GAC Chair attended a number of the principal subsidiary audit committee meetings and certain chairs of the principal subsidiary audit committees also joined meetings of the GAC during the year.

This continuous engagement supported effective information sharing and targeted collaboration between audit committee chairs and management to ensure there was appropriate focus on the local implementation of programmes. Subsidiary audit committee chairs were also able to directly share local challenges, including regulatory expectations with Group management and the GAC Chair.

On a half-year basis, principal subsidiary audit committees provided certifications to the GAC that regarded the preparation of their financial statements, adherence to Group policies and escalation of any issues that required the attention of the GAC. These certifications also included information regarding the governance, review and assurance activities undertaken by principal subsidiary audit committees in relation to prudential regulatory reporting.

Internal controls

The Committee devoted significant time in understanding the effect on financial reporting risk from high-impact programmes aimed at enhancing and enabling the transformation of the control environment to support financial, prudential regulatory and other regulatory reporting. The GAC provided detailed feedback and challenge to management on a number of aspects, including requesting external assurance, replanning and mobilisation of programme workstreams, resourcing and engagement throughout the Group and with regulators. Common themes from these discussions included the need to improve understanding and accountability for data capture, improve data quality from the implementation and embedding of data policies while ensuring there was a stronger appreciation throughout the Group of the downstream impact on financial and regulatory reporting. The oversight and implementation of these programmes and their component parts will remain a key focus for the Committee in 2023.

The GAC 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 internal financial controls. These updates included the Group's work on compliance with section 404 of the Sarbanes-Oxley Act. Based on this work, the GAC recommended that the Board support its assessment of the internal controls over financial reporting.

For further details on how the Board reviewed the effectiveness of key aspects of internal control, see page 306.

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 and Controls 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;

- gave particular regard to the analysis and measurement of IFRS 9 expected credit losses ('ECL'), including the key judgements and management adjustments made in relation to the forward economic guidance, underlying economic scenarios and reasonableness of the weightings;
- 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. 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 42.

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 2022* and results announcements to enable input and comment. It was supported by the work of the Group Disclosure and Controls Committee, which also reviewed and assessed the *Annual Report and Accounts 2022* 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 UK and Hong Kong Corporate Governance Codes.

Key financial metrics and strategic priorities

The Committee assessed management's assurance and preparation over external financial reporting disclosures, in particular the monitoring and tracking of key financial metrics and strategic priorities. In the second quarter of 2022, the Committee was involved at all stages in overseeing and challenging management on the revised financial targets.

The GAC challenged management on the forecasting, analysis and additional assurance work undertaken to support the revised financial targets in light of geopolitical risks, deteriorating outlook, ongoing impact of the Covid-19 pandemic in certain jurisdictions and a rising interest rate environment.

Further details can be found in the 'Principal activities and significant issues considered during 2022' table on page 266.

ESG and climate reporting

The GAC, supported by the executive-level ESG Committee and Group Disclosure and Controls Committee, provided close oversight of the disclosure risks in relation to ESG and climate reporting, amid rising stakeholder expectations.

The GAC tracked and monitored developments from a number of prominent consultations and considered them when reviewing the strategy and scope of ESG and climate disclosures in 2022. In particular, the Committee asked management to provide further details on the pipeline of mandatory regulatory and externally committed ESG and climate-related disclosures over the next 12 to 24 months, including the delivery status. This allowed the Committee to consider management's development of methodologies, tools and data solutions holistically to fulfil external disclosure requirements and commitments.

ESG reporting is fast evolving with few globally consistent reporting standards and a high reliance on external data. The Committee focused on internal and external assurance in this area in line with wider market developments. 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, discussed the nature and root cause of issues identified through the increased assurance work, as well as proposals for further limited third-party assurance to be performed over specific ESG-related metrics.

Regulatory reporting

The Committee continued to focus heavily on the quality and reliability of regulatory reporting and oversight of key programmes to strengthen the end-to-end processes to meet regulatory expectations.

Management provided updates on the status of ongoing HSBC-specific external reviews, and discussed the issues and themes identified from the increased assurance work and focus on regulatory reporting. They also discussed root cause themes, remediation of known issues and new issues identified through the increased assurance work and focus on regulatory reporting. The GAC was instrumental in the initiation of a global programme designed to deliver consistent control frameworks for our regulatory reporting globally over the next few years. The Committee challenged management on remediation plans, to ensure there was a sustainable reduction in issues and that dependencies with other key programmes were well understood. The Committee Chair invited certain principal subsidiary audit committee chairs to GAC meetings to participate in discussions to ensure alignment and understanding of key issues and ongoing regulatory engagement.

UK audit reform

In May 2022, the UK government published its response to the consultation paper, 'Restoring Trust in Audit and Corporate Governance', on strengthening the UK's audit, corporate reporting and corporate governance systems. This summarised the responses received to the consultation and set out the next steps towards implementation.

One of the key changes proposed is for large public interest entities, such as HSBC, to develop and publish an audit and assurance policy every three years, setting out the approach to assurance of information beyond the financial statements. The government will also introduce a new statutory resilience statement.

The Committee received updates on the outcome of the consultation and reviewed management's proposed actions to support the future requirement for disclosure of an audit and assurance policy. This includes the work towards designing an integrated internal assurance approach across the three lines of defence, with the development during the year of an integrated assurance framework in support of the Group's risk management framework.

While the legislation and expected guidance around the form and content of an audit and assurance policy is still being drafted, it is expected that the areas below will be covered by any future disclosures. Current disclosures exist in respect of certain of these areas, although these will need to be enhanced and expanded as guidance develops. The areas highlighted below are in addition to disclosures on the statutory audit and assurance work required by regulators.

Area	Relevant current disclosure
Overview of risk and internal control framework	Risk review, pages 131 to 238
Assurance over internal controls	Risk review, pages 131 to 238, 'Global Internal Audit', page 266, and 'Internal controls' page 306.
Specific information subject to assurance	Environmental, social and governance review, page 14
Resilience statement (currently viability statement)	Long-term viability and going concern statement, page 42
External auditor engagement	'External auditor', page 265
Stakeholder engagement on audit and assurance policy	No existing disclosure.

The Committee continues to focus on ESG and regulatory reporting as areas for expanded assurance, in line with the risk assessment framework established in 2021. The specific external assurance over ESG disclosures is set out in the ESG review section of the *Annual Report and Accounts*. The Committee continued to respond to various regulatory engagement requests and surveys, including the Financial Reporting Council's Draft Minimum Standards for Audit Committees. The Committee will continue to monitor developments as legislation is drafted to enact the requirements and the associated guidance is developed.

External auditor

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

PwC completed its eighth 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. Critical audit matters discussed with PwC are set out in its report on page 313.

External audit plan

The GAC reviewed the PwC external audit approach, including the materiality, risk assessment and scope of the audit. PwC highlighted the changes being made to their approach to enhance the quality and effectiveness of the audit. Changes for the 2023 audit included more auditing being performed centrally across legal entities. The Committee also focused on PwC's increased use of technology solutions, and received detailed briefings on its approach to data and analytics.

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.

In addition, the GAC Chair, certain principal subsidiary audit chairs and members of the Group Executive Committee met with the Head of Audit, PwC UK to discuss findings from the questionnaire and provide in-depth feedback on the interaction with the PwC audit team.

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 audit quality indicators focused on the following areas:

- findings from inspections across the Group and regulators 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.

There were no breaches of the policy on hiring employees or former employees of the external auditor 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 2022.

The Committee confirms it has complied with the provisions of 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, the GAC oversaw the retendering of statutory audit services for the 2025 year-end, including considering the tendering and shared audit proposals from the UK government's consultation. More details on the audit tender can be found on page 267.

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 2023 will be proposed to shareholders at the 2023 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.

The non-audit services carried out by PwC included 73 engagements approved during the year where the fees were over $100,000 but less than $1m. Global Finance, as a delegate of the 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.

Eleven 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.

Auditors' remuneration	2022 $m	2021 $m
Total fees payable	**148.1**	129.4
Of which fees for non-audit services	**50.5**	41.3

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. The Group Head of Internal Audit reports to, and meets frequently with, the Chair of the GAC. In addition, in 2022, there was more interaction between Global Internal Audit senior management and the members of the GAC, aimed at increasing knowledge and awareness of the audit universe and existing and emerging risks identified by Global Internal Audit. Global Internal Audit adheres to The Institute of Internal Auditors' mandatory guidance.

Consistent with previous years, the 2023 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. 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 2023 audit coverage remain as: strategy, governance and culture; financial crime, conduct and compliance; financial resilience; and operational resilience. A quarterly assessment of key risk themes will form the basis of thematic reporting and plan updates and will ultimately drive the 2024 planning process.

In 2023, Global Internal Audit will maintain significant focus on the Group transformation portfolio, increase coverage of treasury risks, financial forecasting processes and regulatory reporting, and include coverage of ESG risk, with focus on climate commitments, operationalisation and reporting. In addition, Global Internal Audit will continue its programme of culture audits to assess the extent that behaviours reflect HSBC's purpose, ambition, values and strategy, and expand its coverage of franchise audits for locally significant countries, following the development of the approach in 2022. 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.

The 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. 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.

Executive management is responsible for ensuring that issues raised by Global Internal Audit 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.

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 2022

Collaborative oversight by GAC, GRC and Technology Governance Working Group

The GAC and GRC worked closely to ensure there were procedures to manage risk and oversee the internal control framework. 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.

A further development, based on 2022 evaluation findings, was to have joint meetings of the GAC, GRC and Technology Governance Working Group. These meetings would ensure there was coordinated oversight and consistent joint feedback to management on areas of significant overlap.

Areas of joint focus for the GAC, GRC and the Technology Governance Working Group during 2022 were:

Finance on the Cloud

Finance on the Cloud is a key multi-year data and reporting transformation programme using Cloud technology to enable the transformation of the Global Finance operating model and re-engineering of core reporting processes.

The committees conducted a deep dive review of Finance on the Cloud and held multiple meetings throughout 2022 to challenge management on the programme's overall objectives, scope and target end-state. As part of these discussions, the committees considered organisational realignment and programme leadership, and asked management to seek external assurance and validation of the Finance on the Cloud investment case and technology architecture. The committees also ensured that there was a greater understanding of the complexities and dependencies between Finance on the Cloud and other key programmes to ensure that deadlines for financial and regulatory reporting deliverables were met.

Digital Business Services

The committees held a joint meeting to develop a deeper understanding of the risk and internal controls issues across key components of Digital Business Services. The joint meeting discussed:

- the regulatory purpose of the service company structure, and management providing an update on initiatives to streamline, simplify and automate the services;
- actions taken by the Identity and Access Management sub-function to tackle access risks through automation and a new toolset;
- monitoring and governance activities carried out by the Global Operations and Payments teams, and its shift towards an automated control environment; and
- actions carried out within Global Procurement to enhance the risk management and control culture, in particular with regard to the oversight of critical third parties and its upgrade to a Cloud-based procurement platform.

Embedding data into our culture

The committees reviewed and challenged the Group's data strategy and the work required for the Group to embed its data policies, define the data technology landscape, and build a data-led culture. The committees also reviewed the Group's approach to harnessing and using data to better unlock value for our customers.

Whistleblowing and speak-up culture

An important part of HSBC's values is speaking up when something does not feel right. HSBC remains committed to ensuring colleagues have confidence to speak up and acting when they do. A wide variety of channels are provided for colleagues to raise concerns, including the Group's whistleblowing channel, HSBC Confidential (see page 92 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 arising from whistleblowing cases and the associated management actions. 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 continued to meet regularly throughout 2022 with the Group Head of Conduct, Policy and Whistleblowing, receiving briefings on material whistleblowing cases and the ongoing effectiveness of the whistleblowing arrangements. The Committee also received reports on actions being taken to further align our whistleblowing arrangements to actively support our purpose and values, and conduct approach. During 2023, the Committee will continue to be briefed on these actions, as well as the ongoing effectiveness of the HSBC Confidential channel.

Audit tender

Following the conclusion of a formal competitive audit tender process, the Board has approved the re-appointment of PwC as external auditor of the statutory audits of HSBC Holdings for 2025 to 2034, at which point we are required to rotate auditors in accordance with UK requirements. The audit tender process considered both large and challenger audit firms and was led by the GAC.

Scope

As a UK public interest entity, we are required to tender our audit every 10 years and rotate our auditor every 20 years. We disclosed in our *Annual Report and Accounts 2021* the intention to commence an audit tender, given PwC were initially appointed for the audit of the *Annual Report and Accounts 2015*.

Pursuant to the tender, interested and qualified parties were invited to submit proposals for the right to provide statutory audit services to HSBC Holdings and its subsidiaries for a period of 10 years commencing from the financial year ending 31 December 2025.

HSBC's primary objective was to ensure a fair and transparent tender process and appoint the audit firm that will provide the highest quality in the most effective and efficient manner. Firms were assessed against detailed criteria which considered audit quality, capacity and capability, understanding of HSBC and future audit vision. Input was sought from principal subsidiaries' audit committee chairs as part of the GAC evaluation. Management views were advisory only to the GAC.

In accordance with best practice corporate governance requirements, the audit tender process described below was designed and led by the GAC, with direct involvement of the GAC Chair at every stage.

Pre-qualification

HSBC undertook a series of pre-qualification activities to identify vendors that satisfy our minimum requirements relating to credibility, capacity and independence. These activities were overseen by the GAC. The pre-qualification phase considered both large and challenger audit firms and explored the possibility of adopting a managed, shared audit using challenger firms.

During the pre-qualification phase, we were informed by two of the large audit firms that they were not able to participate in the tender as they believed they had insufficient capacity to perform a quality audit.

Three shortlisted audit firms were invited to respond to the formal tender, including PwC and one challenger audit firm.

Process and assessment

The shortlisted firms were invited to submit capability proposals (including written and data modelling exercises) to demonstrate their understanding of HSBC, audit quality, capabilities and their future vision of audit. Group and principal subsidiaries' audit committee chair and management meetings took place during October 2022, enabling both the audit firms and HSBC management to articulate and discuss critical success factors for the audit. Lead audit partner referrals and audit quality reports from regulators supplemented these assessments and contributed to the final evaluation of the audit firms. The capability proposals were submitted on a fee blind basis, with the fee proposal submitted directly to the GAC Chair.

The Committee considered the following during the evaluation of audit firms:

- a tender proposal, a formal document in response to the tender requirements;
- management meetings between the firms and HSBC (major legal entity audit committee chairs and senior management);
- data exercises covering audit planning and risk assessment, ECL modelling, firms' broader assurance offering and a shared audit exercise;
- public regulator audit reports for independent assessment on audit quality;
- external referees to provide a third-party opinion on the audit lead partner to support the evaluation process; and
- final presentations to the GAC.

As part of the tender process, the GAC Chair also met with Chief Executive and Head of Standards of the Financial Reporting Council to explain our audit tender process, understand views on shared audits and seek input into our evaluation of individual firm's audit quality track record.

Evaluation

The key evaluation criteria and their respective weightings used to assess the successful audit firm were proposed by management and reviewed by the Group Audit Committee. The criteria were assessed through formal capability proposals, presentations and certain supplementary evidence:

- Audit quality (30%) – regulatory evaluation, methodology, risk assessment, technology.
- Capacity and capability (30%) – footprint, partner quality and rotation, diversity, independence.
- Future audit vision (20%) – future audit developments, audit reform and innovation.
- Understanding of HSBC (20%) – knowledge of HSBC, shareholder concerns and the financial services landscape.

Final decision

The GAC considered various data points from the assessments outlined above, adopting a scorecard approach to supplement the final presentations made by the audit firms at the end of the tender process. The Committee considered the merits of appointing a challenger audit firm in a managed shared audit capacity, in line with recent UK government proposals. However, it did not have sufficient confidence that the desired audit quality outcomes could be assured in a such a large, complex, integrated and global organisation to pursue such an arrangement.

The GAC presented two audit firms to the Board for consideration of awarding the tender, recommending the re-appointment of PwC given their strong performance against our evaluation criteria and the benefits of continuity in this period of strategic change and uncertainty in the external environment.

The Board made a final decision to award the audit tender to PwC on 19 January 2023. PwC will continue to be subject to annual performance reviews (including annual effectiveness surveys and analysis of relevant audit regulator findings) in the period up to 2025 to support the annual AGM auditor re-appointment requirement.

Principal activities and significant issues considered during 2022

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 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 2022 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 and facilitated emissions, and thermal coal exposures. The Committee considered the key limitations and challenges relating to governance, processes, controls and data underpinning climate reporting. The Committee also discussed the nature and root cause of issues identified through the increased assurance work and ongoing enhancements to the governance, processes, controls and data underpinning climate reporting, which resulted in the deferral of disclosures on facilitated emissions and thermal coal. 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 further independent external reviews of various aspects of regulatory reporting. The Committee discussed and provided feedback on management's engagement plans with the Group's regulators, including any potential impacts on some of our regulatory ratios. 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 2022, there remains an elevated degree of uncertainty over ECL estimation under current conditions, due to macroeconomic and political uncertainties.	The measurement of expected credit losses involves significant judgements, particularly under current economic conditions. There remains an elevated degree of uncertainty over ECL estimation under current conditions, due to macroeconomic, and political 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 the Russia-Ukraine war, inflation, supply chain disruption risks, China commercial real estate and Covid-19, 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.	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 cash flows 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.
	Investments in subsidiaries Management has reviewed investments in subsidiaries for indicators of impairment and conducted impairment reviews where relevant. These involve exercising significant judgement to assess the recoverable amounts of subsidiaries, by reference to projected future cash flows, discount rates and regulatory capital assumptions.	The GAC reviewed the judgements in relation to the impairment review of HSBC Overseas Holdings (UK) Limited, and the key inputs underpinning the recoverable amounts of its subsidiaries.

Principal activities and significant issues considered during 2022 (continued)

Areas of focus	Key issues	Conclusions and actions
Significant accounting judgements	**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.	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.
	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. The GAC also considered the impact of changes in key assumptions on other schemes.
	Valuation of financial instruments Due to the ongoing volatile market conditions in 2022, 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 implications of the Russia-Ukraine war, disrupted supply chains globally and slower Chinese economic activity, 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 expected outcomes relating to uncertain tax treatments.	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 2022, HSBC engaged in a number of business acquisition and disposal activities, notably in Canada, 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 Canadian and French retail businesses, management's judgements in relation to classification as held for sale, 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 2022 (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, to oversee progress of the transformation programme and the continued embedding of the broader change framework. In these updates the Committee monitored the progress of the programme, focused on the continued implementation of the change framework and the progress in the management of the entire change portfolio. This oversight helped the Committee to understand the progress being made in the management of the change portfolio, through the implementation of the change framework. The committee noted the progress on simplifying our change inventory, greater rigour on tracking progress against committed business cases, and strengthening of the lessons learnt process. Management's updates were supplemented by further focus and assurance work from Global Internal Audit where a dedicated team continuously monitored and reviewed the Group transformation programme. This included carrying out targeted audit reviews, in addition to audits of significant programmes.
	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 2022, the Committee dedicated significant time to the review and progress of the multi-year Global Finance transformation programme, particularly Finance on the Cloud, with the overall objectives being to improve the control environment and customer outcomes and to make use of technology to increase overall efficiency. 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.	During 2022 management provided updates to the Committee on preparations for the implementation of IFRS 17, which is effective from 1 January 2023 with one year of comparative restatements required. The Committee was updated on the production of the transition balance sheet and considered the financial impacts (for which a summary is provided within the Future Accounting Developments section of the Basis of Preparation on page 335), as well as the generation of comparative income statement estimated impacts (for which a high level summary based on estimated 1H22 results is provided on page 99). The Committee also received updates with respect to progress on implementing the supporting operational infrastructure, internal controls over financial reporting, key judgements considered including transition approaches selected, as well as plans for disclosure of related non-GAAP measures and key performance metrics. The first publication of results on an IFRS 17 basis will be at the 1Q23 Earnings Release, and the Committee noted that management intends to publish an IFRS 17 Transition statement together with that announcement.
	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 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 and also on a staggered basis across each jurisdiction. The discussion highlighted the dependencies of the Basel III programme with other Group transformation programmes, in particular the dependency on adoption of the Finance on the Cloud solution, risk model development and the impact on data delivery and storage. The Committee noted the completion of the programme restructure, reviewed the ongoing management of risks, issues and dependencies and challenged management to prioritise deliverables across each jurisdiction in line with regulatory timelines, in each case, to ensure that solutions delivered to the minimum required standards. The Committee noted the overall improved status of the programme and requested an update post the Office of the Superintendent of Financial Institutions Canada implementation date of 1 April 2023.

Committee evaluation and effectiveness

The annual review of the effectiveness of the Board committees, including the GAC, was conducted internally in 2022, led by the Group Company Secretary and Chief Governance Officer. Overall, the review concluded that the GAC continued to operate effectively. The Chair's management of meetings and leadership of the audit tender process, in particular, were rated highly. The review also made certain recommendations for continuous improvement. These included a need for continued focus on the quality of reporting, oversight of prioritisation of key programmes, and continued coordination between the GAC and other Board committees on topics of mutual interest. It was also suggested that the Committee should dedicate more time to the oversight of capacity and succession planning in the Finance and Internal Audit functions. 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 2023.

Focus of future activities

In 2023, the Committee will prioritise control remediation and enhancements, particularly of controls supporting regulatory reporting. This will include developing a deeper understanding of the prioritisation and interdependencies in the delivery of key transformation and regulatory programmes to strengthen the risk and control environment. It will also monitor domestic and worldwide tax policy developments and examine the potential impact on accounting judgements. 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. Along with other committees of the Board, the Committee will continue to ensure root cause themes related to understanding and accountability for data capture, data quality and the implementation and embedding of data policies are addressed by management.

Group Risk Committee

"The GRC closely monitored heightened geopolitical and macroeconomic headwinds throughout the year to anticipate potential impacts to the Group's revenue, capital base and continuing ability to support customers."

Dear Shareholder

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

Geopolitical risks and the macroeconomic outlook deteriorated rapidly at the start of the year due to the Russia-Ukraine war. The GRC closely monitored heightened geopolitical and macroeconomic headwinds throughout the year to anticipate potential impacts to the Group's revenue, capital base and continuing ability to support its customers. Measures included monitoring the Group's preparedness for an expected recession in key markets from rising inflation and interest rates. The Committee embraced management's development of forward-looking sensitivity analysis to assess the potential impacts on HSBC's prudential position, franchise resilience and ability to support customers.

The GRC worked closely with the Group Chief Risk and Compliance Officer to strengthen the Group's risk management framework, and to promote the development of more dynamic and granular risk appetite statements to manage HSBC's risk profile.

Throughout the year, the GRC reviewed and challenged management on the Group's regulatory submissions, including the Bank of England's requirements for the Resolvability Assessment Framework, internal capital adequacy assessment process ('ICAAP') and internal liquidity adequacy assessment process ('ILAAP'). The GRC had primary non-executive responsibility for reviewing the outcomes of regulatory stress tests, including the Bank of England's climate biennial exploratory scenario, and the 2022 annual cyclical scenario exercise.

The GRC carefully considered the Group's regulatory remediation and change programmes, and helped direct management to better prioritise and understand where there are interdependencies. In particular, the GRC reviewed and challenged the Group's data management plans and interest rate risk in the banking book strategy. The GRC also provided oversight and support to risk transformation activities to develop stronger risk management capabilities and outcomes across the Group.

The GRC continued to review its committee composition, skills and experience. In June, we welcomed Geraldine Buckingham and James Forese as new members, and we expressed sincere gratitude to José Antonio Meade Kuribreña and Eileen Murray, who stepped down to assume new Board governance responsibilities.

Jackson Tai

Chair

Group Risk Committee

21 February 2023

Membership

	Member since	Meeting attendance in 2022[1]
Jackson Tai (Chair)	**Sep 2016**	**18/18**
Geraldine Buckingham[2]	**June 2022**	**11/11**
Dame Carolyn Fairbairn[3]	**Sep 2021**	**17/18**
James Forese[4]	**June 2022**	**12/13**
Steven Guggenheimer[5]	**May 2020**	**16/18**
José Antonio Meade Kuribreña[6]	**May 2019**	**10/10**
Eileen Murray[7]	**Jul 2020**	**7/9**
David Nish[8]	**Feb 2020**	**16/18**

1 *These included seven scheduled meetings, five ad hoc meetings, four joint meetings with the Group Audit Committee and the Technology Governance Working Group, and two joint meetings with the Group Remuneration Committee.*
2 *Geraldine Buckingham joined the GRC on 1 June 2022.*
3 *Dame Carolyn Fairbairn was unable to attend one meeting due to a prior commitment.*
4 *James Forese joined the GRC on 1 June 2022. He was unable to attend one meeting due to a prior commitment.*
5 *Steven Guggenheimer was unable to attend two meetings due to personal circumstances.*
6 *José Antonio Meade Kuribreña stepped down from the GRC on 1 June 2022.*
7 *Eileen Murray stepped down from the GRC on 1 June 2022. She was unable to attend two meetings due to personal circumstances.*
8 *David Nish was unable to attend two meetings due to a prior commitment.*

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 include:

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

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 Human Resources Officer, Group Chief Legal Officer, Group Head of Internal Audit, Group Head of Finance and Group Head of Risk Strategy and Macroeconomic Risk are standing attendees at GRC meetings. 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 six scheduled GRC meetings in 2022, reaffirmed the ownership and accountability of risks in the first line of defence.

The Chair meets regularly with the Group Chief Risk and Compliance Officer to discuss priorities and track progress on key actions. The Chair also has regular meetings with members of senior management to discuss specific risk matters that arise outside formal meetings. The Chair also meets regularly with the GRC Secretary to ensure the GRC addresses its governance responsibilities. A summary of coverage is set out in the 'Matters considered during 2022' table on page 272.

Matters considered during 2022

	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Oct	Dec
Holistic enterprise risk monitoring including Group risk profile[1]	●	●	●	●	●	●	●	●	○	●
Risk framework and/or policies	●	●	○	○	○	○	●	○	○	○
Treasury risk	○	●	●	●	●	●	●	●	●	●
Wholesale/retail credit risk	○	●	○	●	●	○	●	○	●	●
Financial reporting risk	○	●	○	○	○	●	○	○	○	○
Resilience risk (including IT and operational risk)	○	○	●	●	●	●	●	●	○	●
Financial crime risk	○	●	●	●	○	●	●	○	○	○
People and conduct risk	○	●	○	○	●	○	○	●	○	●
Regulatory compliance risk	○	●	○	●	●	○	●	●	●	●
Legal risk	○	●	○	●	○	○	●	●	○	●
Model risk	○	○	○	○	○	○	○	●	○	○
ESG risk	○	○	○	○	○	○	●	●	●	●

● *Matter considered* ○ *Matter not considered*

1 *The GRC receives updates on all risk types through the Group risk profile, which is presented to the majority of meetings. The Committee also met with the Group Chief Risk and Compliance Officer and Risk and Compliance Executive Committee members in November 2022 to review the GRC agenda, particularly matters relating to risk transformation, financial crime and conduct.*

How the Committee discharged its responsibilities

Activities outside formal meetings

The GRC held a number of meetings outside its regular schedule to facilitate deeper and 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 risk transformation, interest rate risk in the banking book, 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 2022' table starting on page 273.

Connectivity with principal subsidiary risk committees

During 2022, 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 a connectivity meeting 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 principal subsidiaries at its regular meetings and continued to review escalated reports and 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 risk management and internal control systems had been operating effectively.

These interactions furthered the GRC's understanding of the risk profile of the principal subsidiaries, leading to more comprehensive review and challenge by the GRC.

Engagement with the Risk and Compliance Executive Committee

During 2022, the GRC met with the Risk and Compliance Executive Committee to promote information sharing and encourage active engagement with executive management.

During the engagement meeting, the GRC developed a better understanding of the efforts to strengthen our capabilities across the Group Risk and Compliance function. There were also in-depth discussions on the efforts to embed the right risk culture into our global operations to support our transformation activities. The engagement also promoted a healthy working relationship between GRC members and executive management.

Collaborative oversight by the GRC, GAC and Technology Governance Working Group

The GRC worked closely with the GAC and the Technology Governance Working Group to address any areas of significant overlap, and to oversee risk more comprehensively through inter-committee communications and joint meetings.

The GRC, GAC and the Technology Governance Working Group convened on four occasions to consider the Group's data strategy and ambitions, the Finance on the Cloud transformation programme, and internal control issues across key components of Digital Business Services.

Further details on each of these sessions can be found under the 'Collaborative oversight by the GAC, GRC and Technology Governance Working Group' section of the GAC report on page 266.

The committees worked closely to ensure appropriate alignment in the review, discussion, challenge and conclusions on topics including risk and control issues relating to Digital Business Services, and the transition of core capabilities to the Cloud. This ensured that the committees benefited from each other's expertise and challenge. The GRC Chair also included the GAC Chair for pre-meetings on technical matters such as interest rate risk in the banking book and stress testing.

Coordination between the GRC, GAC and the Technology Governance Working Group is supported by cross-membership. The GRC and GAC Chairs are members of both committees in order to strengthen connectivity and the flow of information between the committees. The GRC Chair is also a member of the Technology Governance Working Group, and each of the co-Chairs of the Technology Governance Working Group are members of the GRC and GAC, respectively.

Principal activities and significant issues considered during 2022

Risk areas	Key issues	Conclusions and actions
Holistic enterprise risk monitoring, including Group risk profile	Geopolitical and macroeconomic risks continue to present significant challenges to revenue growth, operational resilience, and our commitment to serve customers and local markets.	The GRC closely monitored global geopolitical and macroeconomic risks that could impact the Group's strategy, business performance or operations. These risks were exacerbated by the Russia-Ukraine conflict and by related regulatory and reputational risks impacting our operations globally. The GRC continued to track top and emerging risks, our risk appetite and other management information metrics, as well as other early warning measures to understand sensitivities and the likelihood of the potential impact to our operations, customers and stakeholders. The GRC encouraged management to examine and maintain a timely and up-to-date book of strategic management actions.
Risk framework/ policies	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 achievement of strategic goals.	The GRC maintained oversight of the Group's risk management framework and changes to the Group's risk appetite statements, which provided the basis for the Committee's interactive review of financial and non-financial risk management information at each scheduled GRC meeting. The GRC continued to promote the development of more dynamic and granular risk appetite statements that were forward looking and risk-responsive. The GRC provided oversight for the linkage between risk appetite statements with the Group's corporate strategy, stress testing, financial resource plan, as well as the Group's move towards stronger, sustainably higher returns for shareholders. The GRC recommended changes to the Group's risk appetite statement, including in the areas of interest rate risk in the banking book, insurance risk, climate risk, resilience risk, financial crime risk, regulatory compliance and liquidity risk.
Treasury risk, including stress testing and recovery and resolution	The Group takes active steps to safeguard its capital and liquidity positions. It also performs internal and regulatory stress tests to measure its resilience and performance against stress, and to consider strategic management actions that could be applied against anticipated stress events and headwinds. The Group is also required to show how its resolution strategy could be carried out in an orderly way, and identify any risks to successful resolution.	The GRC reviewed the Group's ongoing treasury, capital and liquidity risk management activities, including early warning indicators, scenario stress testing, interest rate risk in the banking book ('IRRBB') strategy and remediation activity, capital and liquidity reporting, and capital and liquidity adequacy. The GRC conducted its annual review, challenge and recommendation of the Group's ICAAP and ILAAP to the Board for approval. GRC members previewed the ICAAP and ILAAP submissions in depth, with input from principal subsidiary risk committee chairs as appropriate. The GRC evaluated the Group's IRRBB strategy and progress on the multi-year liquidity improvement programme. The GRC will continue to monitor the Group's IRRBB strategy closely through regular updates in 2023. In relation to stress testing exercises, the GRC reviewed the Bank of England's 2022 annual cyclical scenarios, and following a detailed review of principal subsidiary and global businesses inputs, approved the results of the 2022 annual cyclical scenario exercise in December 2022. The GRC also reviewed the implications of the results of the severely adverse scenario stress test from the Federal Reserve's Comprehensive Capital Analysis and Review in relation to HSBC North America Holdings, and considered actions being progressed by management in response. The GRC continued its oversight of the Group's progress in developing its capabilities against the Bank of England's requirements for recovery and resolvability. In 2022, the GRC reviewed and challenged the Group recovery plan, including with an assessment of the financial resources and recovery capacity needed to stabilise the Group. The GRC considered views of all lines of defence to determine credibility and ability to execute the plan. In advance of the review by the GRC, the GRC and GAC Chairs met with management to consider the principal subsidiary risk committee components. The GRC was heavily involved in the governance of the resolvability assessment framework ('RAF'). This included oversight of the addendum to the Group's RAF self-assessment that set out HSBC's progress since submission of the original self-assessment in October 2021. The GRC also reviewed the RAF public disclosure prior to its submission, and considered remedial actions to address the feedback provided by the Bank of England. In addition, the GRC assessed the adequacy of the recovery and resolution planning programme that is expected to deliver improvements, in line with management expectation and the PRA's feedback.
Wholesale/ retail 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 GRC reviewed updates on the strategy and approach to managing credit risk and credit risk capabilities. The GRC 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 of a likely recession in our key markets due to rising inflation and interest rates to assess management's readiness and approach to drive stronger credit risk management practices. The GRC continued its emphasis on building even stronger credit capabilities for specialty sectors, the development of stronger portfolio management capabilities and further improving the Group's credit risk culture.

Principal activities and significant issues considered during 2022 (continued)

Risk areas	Key issues	Conclusions and actions
Financial reporting risk	HSBC is exposed to the risk where controls supporting the reporting of its financial statements are not effective, resulting in material error or misstatement.	The GRC receives regular reports on entity level control assessments to enable the oversight of the effectiveness of such controls in support of the Group's financial reporting. The GRC also receives notable audit reports that provide an assessment of control effectiveness, where applicable. While the GAC assumes primary responsibility for the oversight of financial reporting capabilities, the GAC collaborated with the GRC and the Technology Governance Working Group to assess the progress in developing these capabilities. Further details on the joint meeting are included in the 'Collaborative oversight by the GAC, GRC and Technology Governance Working Group' section on page 272.
Resilience risk (technology and operational risk)	Resilience risk is where we may be unable to provide our customers with critical business services due to significant disruption. Technology risk is where there may be 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 operational resilience programme defines the Group's policies and practices to strengthen its ability and readiness to serve customers in the event of unforeseen disruptions in key markets.	The GRC continued its oversight of the Group's implementation of operational resilience capabilities in line with PRA and FCA policies. The GRC reviewed and challenged the operational resilience self-assessment against regulatory expectations, and worked with management to ensure that ownership and the delivery of resilience outcomes were embedded within the business and with function leaders. The GRC advocated for the early adoption of operational resilience requirements across key markets and businesses. The GRC will oversee the progress in extending the programme of operational resilience globally throughout 2023. The GRC regularly reviewed reports on the Group's technology risk profile, as well as reports on cybersecurity risks. The GRC also maintained a strong focus on understanding the Group's data risk landscape, its data strategy and data management programme.
Financial crime risk	The Group is committed to closely monitoring and managing the risk that HSBC's products and services will be exploited for criminal activity, including fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing.	The GRC continued to review the Group's approach to managing its financial crime risk across geographies and businesses. This included reviewing the Group's progress in enhancing its transaction monitoring framework, as well as monitoring the fraud landscape and the strategies for managing such risk. In light of the Russia-Ukraine war, 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 multiple and differing sanctions regimes globally.
People and conduct risk	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 GRC considered people risk issues with a focus on capacity, capability, culture and conduct. It also considered remuneration risks, and strategies to retain talent and acquire new capabilities and skills in key areas. The GRC also placed strong emphasis on policies and practices relating to conduct and fairness to customers, especially on vulnerable customers given heightened macroeconomic pressures and stress on customers across markets. The GRC and Group Remuneration Committee met jointly in September and December, and reviewed the Group's risk and reward alignment framework to promote sound and effective risk management in meeting PRA and FCA remuneration rules and expectations.
Regulatory compliance risk	The Group operates in multiple jurisdictions, and is exposed to risks associated with inappropriate market conduct or breaching related financial services regulatory standards or expectations.	The GRC receives feedback from regulators, and monitors the progress of any regulatory remediation activities, with the support from the Group Chief Risk and Compliance Officer as well as principal subsidiary risk committee chairs. During the year, the GRC had oversight over reports providing feedback from regulators, including a summary of regulatory deliverables to ensure HSBC remains in line with regulatory standards and expectations.
Legal risk	HSBC is exposed to the risk of financial loss, legal or regulatory action resulting from contractual risk, dispute management risk, breach of competition law or intellectual property risk.	The GRC oversees and receives regular updates on key legal developments and material legal issues from the Group Chief Legal Officer. The updates also cover material litigation and regulatory enforcement matters and an overview of the legal risk profile of HSBC.
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 oversee the Group's progress in managing model risk through the Group Chief Risk and Compliance Officer's Group risk profile report. The GRC oversaw the progress in achieving our model risk vision and the strengthening of our model risk management capabilities. In particular, the GRC reviewed model risk deliverables against external review findings, improvements made to enhance first line of defence engagement in the model lifecycle, progress made to transform the Model Risk Management function and the implementation of new global model risk policy and standards.

Principal activities and significant issues considered during 2022 (continued)

Risk areas	Key issues	Conclusions and actions
ESG risk	Successful delivery of our climate ambition will be determined by our ability to measure and manage all components of environmental, social and governance ('ESG') risk, including climate risk.	The GRC remained focused on ESG risk, including climate risk, and has reviewed quarterly reports on climate risk management, while maintaining oversight of delivery plans to ensure that the Group develops robust climate risk management capabilities. The GRC also has oversight over ESG-related initiatives and reviews these to assess the risk profile. The GRC approved the Group's climate biennial exploratory scenario stress test submission to the PRA in March 2022. In preparation, the GRC reviewed the scenario and considered planned engagement with clients, strategic 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.

Committee evaluation

During 2022, the GRC implemented the recommendations of the external committee evaluation conducted by Lintstock in consultation with the Group Company Secretary and Chief Compliance Officer in December 2021. This included strengthening the focus of meeting agendas, and continuing the GRC's engagement with the Risk and Compliance Executive Committee 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 2022. The evaluation concluded that the GRC continued to operate effectively and in line with regulatory requirements, and identified enhancements. The outcomes of the evaluation have been reported to the Board, and the GRC will track the progress in implementing recommendations during 2023.

Focus of future activities

The GRC's focus for 2023 will include the following activities. It will:

- oversee risk transformation activities to develop even stronger risk management capabilities;
- oversee the continued enhancement of the Group's risk appetite and risk management framework, especially in light of continued geopolitical and macroeconomic headwinds;
- continue to oversee treasury risk to strengthen our capital and liquidity management capabilities, including proactive management of interest rate risk in the banking book;
- continue to review and challenge the consistency of our risk appetite statements, our financial resource plan, and the outcomes from our stress testing exercise;
- monitor our ESG progress, including the delivery against the climate commitments and the development of appropriate data and model management tools and capabilities;
- continue the oversight of recovery and resolution planning activities to assess our resolvability capabilities if such situation arises;
- 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;
- continue to oversee financial crime risk and the strengthening of the financial crime control framework, including proactive management by the business; and
- assess our strategic opportunities and risks including exposures to digital currencies or assets and use of timely application of technology such as machine learning or artificial intelligence.

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.

"This year we have refreshed our reward strategy to inspire a dynamic culture as we focus on energising for growth and delivering sustainable value to our shareholders, customers and colleagues."

Dear Shareholder

I am pleased to present our 2022 Directors' remuneration report on behalf of the members of the Group Remuneration Committee, and my first as Chair of the Committee. I would like to thank our previous Chair, Pauline van der Meer Mohr, for her excellent stewardship of the Committee.

I also thank you for your support of our remuneration resolutions at the 2022 Annual General Meeting ('AGM'). Our current policy and its implementation received 96% of votes in favour.

In addition to our usual agenda, the Committee has been focused on aligning performance measures and remuneration more closely with our strategy. We have been engaging with our major shareholders and other investor groups, who have shared valuable feedback.

We have refreshed our wider reward strategy and proposition for the workforce in response to the new or elevated challenges we are facing as we move beyond the Covid-19 pandemic, including the cost of living pressures many of our colleagues are experiencing. The commitments we make to colleagues are critical to support us in energising for growth and delivering sustainable performance.

Performance in 2022

Financial performance

Financial performance in 2022 was supported by a rise in global interest rates, which materially improved our net interest income, and we maintained our strong focus on cost discipline, despite inflationary pressures and continued investment in technology. While our revenue outlook remains positive, there are continued risks around inflation and increasing macroeconomic uncertainty in many of the markets in which we operate.

Adjusted profit before tax increased by $3.4bn to $24.0bn, as a rise in adjusted revenue of 18% to $55.3bn was partly offset by an adjusted expected credit losses charge of $3.6bn, compared with a net release in 2021 of $0.8bn, and growth in adjusted operating expenses of 1%. Our return on average tangible equity ('RoTE') was 9.9%, an increase of 1.6% on 2021, and we have now exceeded our ambition of $120bn of risk-weighted asset ('RWA') gross saves since the start of our programme in 2020.

Membership

	Member since	Meeting attendance in 2022
Dame Carolyn Fairbairn (Chair)	**Sept 2021**	**6/6**
Geraldine Buckingham	**May 2022**	**4/4**
Rachel Duan	**Sept 2021**	**6/6**
James Forese	**May 2020**	**6/6**
José Antonio Meade Kuribreña	**May 2021**	**6/6**
Pauline van der Meer Mohr[1]	**Jan 2016**	**2/2**

1 *Pauline van der Meer Mohr stepped down from the Committee and Board at the conclusion of the AGM on 29 April 2022.*

In 2022, we approved dividends of $0.32 per share, equivalent to a payout ratio of 44% of reported earnings per share. We are establishing a dividend payout ratio of 50% of reported earnings per share for 2023 and 2024, excluding material significant items, and we intend to revert to paying quarterly dividends from the first quarter of 2023.

Non-financial performance

In our employee Snapshot survey, our Employee engagement and Inclusion indices both increased by 1% year on year to 73% and 76%, respectively, which are both above the financial services benchmarks. The percentage of Black heritage colleagues in senior leadership globally increased by 0.3% to 2.5%, meeting our stretch goal. The percentage of women in senior leadership also increased by 1.6% to 33.3% since 2021, and we are on track to meet our commitment of 35% by 2025.

For customer satisfaction, net promoter score ('NPS') performance has been positive relative to our competitors in some areas of our business, with work to do in others. In WPB, our NPS increased in the UK and Hong Kong, and we were ranked in first place in Hong Kong. In CMB, our NPS increased in Hong Kong but declined in the UK, and we were ranked in second place in Hong Kong. In GBM, our global NPS improved and our global rank remained in fifth place. In WPB and CMB digital businesses in Hong Kong, we were ranked in first and third places, respectively. In GBM globally, our digital trade finance platforms maintained first place for the quality of platforms. Our PayMe payments app was also ranked in second place for digital wallets. In WPB, our NPS increased in mainland China and Singapore, remained unchanged in Mexico, and in India saw a small decline. In CMB, our NPS increased in mainland China, Singapore and Mexico, and our rank positions in those markets either improved compared with 2021 or were in the top three against competitors.

Workforce reward

Group variable pay pool

The Committee determined an overall variable pay pool of $3,359m (2021: $3,495m) following a review of our performance against financial and non-financial metrics set out in the Group risk framework. The Committee considered our strong 2022 financial performance, with a 17% increase in adjusted profit before tax, a RoTE of 9.9% and adjusted cost growth of 1% year on year. The Committee also considered the external environment, the challenging economic outlook and projected outcomes across the market to ensure we remain competitive to attract and retain talent.

The distribution of the pool was differentiated by business performance. Overall year-on-year variable pay outcomes were strongest in CMB, followed by WPB but down in GBM to reflect relative performance. There was robust differentiation for individual performance so that our highest performers received meaningful variable pay increases on the previous year. We have protected variable pay for junior colleagues, which was up on average, recognising the inflationary and cost of living challenges experienced across most of our markets.

In determining 2023 fixed pay increases, we considered the impact of inflation in each country where we operate. Increases were targeted towards more junior and middle management colleagues as fixed pay is a larger proportion of their overall pay. Across the Group, there was an overall increase of 5.5% in fixed pay, compared with 3.6% for 2022. The level of increases varied by country, depending on the economic situation and individual roles. There were no fixed pay increases for most of our senior leaders, including our executive Directors.

Supporting colleagues in 2022

We monitored the global economic situation carefully and took action to support our colleagues according to the market, given local inflation and cost of living pressures. We continued to support our colleagues in those markets still significantly impacted by the pandemic. In mainland China and Hong Kong, we provided care packages and increased well-being sessions. In mainland China, we also delivered food essentials and provided inconvenience allowances. In Argentina and Türkiye, we made regular adjustments to fixed pay given the continuing inflationary pressures. In Sri Lanka, we made one-off payments and fixed pay increases during the year to address high inflation. In the UK, we provided almost 17,000 junior colleagues with a one-off payment of £1,500 to help with energy cost pressures.

We continued to focus on well-being, benefits, financial guidance, employee assistance programmes and access to hardship funds, as well as pay.

Key remuneration decisions for Directors

Executive Director changes

Georges Elhedery was appointed Group Chief Financial Officer from 1 January 2023. Ewen Stevenson is leaving the Group on 30 April 2023 and will receive a payment in lieu of notice until 25 October 2023. All remuneration decisions in respect of this change were made in accordance with our shareholder-approved policy, and are detailed in the annual report on remuneration.

Georges Elhedery's remuneration was set on appointment with a base salary of £780,000 per annum, a fixed pay allowance of £1,085,000 per annum, a pension allowance of 10% of his base salary (in line with most UK employees) and variable remuneration and benefits in accordance with our policy.

In recognition of the services that Ewen Stevenson provided to HSBC during his tenure and the circumstances of his departure, he has been treated as a good leaver for the purpose of unvested incentive awards. He remained eligible for a 2022 annual incentive but will not receive a long-term incentive award for the 2023 to 2025 performance period.

Executive Directors' annual incentive

The Group's financial performance was reflected in the performance against the measures in the executive Directors' annual scorecards. In particular, the Committee recognised: adjusted profit before tax was $24.0bn, which represented an increase of 17% compared with 2021; strong cost controls were demonstrated, despite inflationary pressures and continued investment in technology, with adjusted costs at $30.5bn; and RoTE was 9.9%, an improvement on the 8.3% achieved in 2021.

Overall, combined with non-financial measures, this level of performance resulted in a formulaic scorecard outcome of 79.32% of the maximum opportunity for Noel Quinn (2021: 57.30%) and 76.65% for Ewen Stevenson (2021: 60.43%). The increase relative to 2021 reflected performance against targets and is largely a result of stronger financial performance in 2022.

The annual incentive scorecard is also subject to a risk and compliance modifier, which provides the Committee with the discretion to adjust down the overall scorecard outcome. Taking into account the Group's performance against risk metrics, inputs from the Group Risk Committee and the overall accountability of the executive Directors with regards to specific matters around capital management in the year, the Committee used its judgement and applied a downward adjustment of 5% and 15% to Noel Quinn's and Ewen Stevenson's annual incentive outcomes, respectively. The difference in adjustments reflected the degree of accountability and relative proximity for capital management. This resulted in an adjusted incentive outcome of 75.35% of maximum opportunity for Noel Quinn and 65.15% for Ewen Stevenson. This represented amounts of £2,164,000 for Noel Quinn (2021: £1,590,000) and £1,091,000 for Ewen Stevenson (2021: £978,000).

The year-on-year increase in annual incentive for the Group Chief Executive is based on a formulaic assessment of performance against financial and non-financial targets set by the Board at the start of last year, taking into account the Group's 2022 financial plan and strategic priorities and commitments.

While the variable pay pool is determined by the Group's overall performance, it is not set in a formulaic manner. Our approach is to smooth the variable pay pool outcomes over time to protect overall pay for colleagues from material volatility in performance caused by market conditions. In years of lower Group performance, we protect colleagues from significant downside in pay outcomes, including in 2020 when adjusted profit before tax fell 45% year on year, but the variable pay pool decreased just 20%. In years of stronger performance, such as in 2022, a similar approach is taken on the upside.

The Committee carefully considered the executive Directors' pay outcomes in the context of pay decisions made for the wider workforce and determined that these are an appropriate reflection of Group, business and individual performance delivered in 2022.

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

For LTI awards for the 2023 to 2025 performance period, we will continue to use measures and targets relating to: RoTE; capital reallocation to Asia; relative total shareholder return ('TSR'); and environmental impact.

Following feedback from some of our shareholders, the Committee reviewed the TSR performance peer group, with the objective of including more Asian peers to better reflect the balance of markets and businesses of the Group. The new peer group will be used for the relative TSR measure for LTI awards with a 2023 to 2025 performance period, and now includes Bank of China (Hong Kong), China Merchants Bank and OCBC Bank. No change will be made to the performance peer group for any LTI awards granted prior to the 2023 to 2025 LTI award.

For the 2023 to 2025 performance period: Noel Quinn will receive an LTI award of £4,275,000 (320% of salary) in respect of his performance for 2022; Georges Elhedery will receive an LTI award of £1,248,000 (160% of salary) in respect of his performance for 2022 when he was not an executive Director; and Ewen Stevenson will not receive an LTI award.

Ewen Stevenson participated in the LTI for the 2020 to 2022 performance period that will vest in March 2023. The TSR and RoTE performance targets were not met and therefore these elements of the award lapsed in full. The customers measure was determined to be 57% met and therefore 19% of the overall award will vest on a pro-rata basis over the next five years.

Executive Directors' fixed pay for 2023

The Committee decided that there will be no increase to the base salary or fixed pay allowances for Noel Quinn for 2023. The fixed pay for Georges Elhedery for 2023 was set on appointment.

Ordinarily, an increase would have been considered for Noel Quinn to ensure that his total remuneration opportunity is competitive in the market. However, given the broader economic context and inflationary and cost of living pressures for colleagues across many of our markets, we targeted increases to our more junior and lower paid colleagues this year.

Looking ahead

We note the UK government's consultation around the variable to fixed pay ratio, and anticipate that this will eventually allow us to place more emphasis on variable pay in the overall package. We will keep our approach under review and consult with shareholders on any potential changes to our overall remuneration framework for executive Directors. In the meantime, our approach for 2023 will be consistent with the current approved policy and regulatory requirements.

We are committed to opening up a world of opportunity for all our people in 2023 and beyond. Our refreshed reward proposition articulates how we are building a dynamic culture where the best want to work, where we reward colleagues responsibly and reward their successes. We will continue to do the right thing for our colleagues, rewarding them fairly and supporting them to grow.

We continue to protect value for our shareholders and customers, and manage our costs. We will also continue to engage with all our stakeholders on executive pay matters.

We believe that our decisions on executive pay for 2022 have struck the right balance for all stakeholders and are also fair relative to performance. As Chair of the Committee, I hope you will support the 2022 Directors' remuneration report, which will be subject to an advisory vote at our 2023 AGM.

Dame Carolyn Fairbairn

Chair

Group Remuneration Committee

21 February 2023

Remuneration decisions in context

We have given serious consideration to how we manage competing variables when deciding pay outcomes this year. We feel the decisions that have been made strike a balance between prioritising fixed pay increases for those who need it the most, and variable pay increases for our most exceptional performers. We will continue to listen carefully to all stakeholders – colleagues, customers and shareholders, as well as our regulators – in making these important judgements.

What are we doing to support colleagues?

A key aspect of the Committee's activities this year has been ensuring that we support our colleagues through the challenges that many are facing. In recognition of the broader environment, we are spending more on fixed pay than we have in recent years, and we have increased the total funding by 5.5% globally. We want to make sure that colleagues can avoid facing financial hardship, and we support the senior leadership's decision to focus fixed pay increases on our more junior and middle management employees, where this is a larger proportion of their overall pay.

We have taken a number of targeted actions to support our colleagues during 2022, taking the local context into consideration, as detailed in the Chair's letter. This includes support for those particularly impacted by inflationary pressures in Argentina, Türkiye and Sri Lanka. It also includes support in mainland China and Hong Kong where colleagues are still significantly impacted by the pandemic. In the UK, we supported colleagues facing energy cost pressures.

We have continued to provide a wide range of resources to all our colleagues globally, including wider support on financial guidance, employee assistance programmes and access to hardship funds.

How was fixed and variable pay determined for executive Directors?

The Committee makes decisions on executive Director pay based on a policy that is agreed with our shareholders. The performance against targets in the executive Directors' annual scorecards reflects their individual contribution to the Group's strong financial performance in 2022.

We set clear targets at the start of the year, and then the Committee assesses if they have been met or not. The annual incentive scorecard is also subject to a risk and compliance modifier.

Overall, this has resulted in a higher annual incentive outcome for our executive Directors for 2022. Details of these outcomes are set out in our annual report on remuneration below.

There have been no fixed pay increases for our executive Directors.

How was fixed and variable pay funding determined for all employees?

The Group has increased fixed pay funding by 5.5% for 2023, compared with 3.6% for 2022.

We have allocated fixed pay by market, with outcomes differentiated based on the economic circumstances, and particularly wage inflation, in each market. We have taken into account the impact of the current economic environment and targeted fixed pay increases towards more junior and middle management colleagues where fixed pay is a larger part of their total compensation and who may be most impacted by inflation and cost of living pressures.

There have been no fixed pay increases for most of our senior leaders for 2023, including our executive Directors.

The Group variable pay pool is determined by reviewing Group performance against key financial and non-financial metrics. Although we have improved our financial performance this year, we have kept the pool broadly flat when compared with 2021. Our approach is to smooth the variable pay pool outcomes over time to protect overall pay for colleagues from material volatility in performance caused by market conditions. Within the overall variable pay pool, there has been significant differentiation to reward our best performing businesses and recognise excellent individual performance.

Outcomes for colleagues vary significantly depending on their role, business area and performance.

What are the key areas of focus for the Committee over the coming year?

The Committee notes the UK government's consultation around the bonus cap, and we anticipate that this will eventually lead to a remuneration structure with a greater focus on variable pay for performance. We intend to review the remuneration arrangements for our executive Directors in due course in light of the UK government's proposals, and will consult with shareholders on any potential changes to our overall remuneration framework.

The Committee continues to keep the performance metrics used for our executive scorecards under review to ensure that they continue to support the successful execution of our strategy, while also taking into account views of our major shareholders, and investor and regulatory guidance in this area. As the Group continues to progress on our environmental, social and governance ('ESG') journey, the Committee has discussed how we ensure our environmental and social commitments continue to be appropriately reflected in the performance scorecards for members of the Group Executive Committee. This is an area the Committee intends to consider further over the coming year.

Executive remuneration at a glance

This section sets out an overview of our performance, our 2022 remuneration outcomes for executive Directors and a summary of the policy approved by shareholders at our 2022 AGM, including how we will implement the policy in 2023.

Our performance

Adjusted profit before tax
$24.0bn
(2021: $20.6bn)

Net new invested assets
$80bn
(2021: $64bn)

Adjusted costs
$30.5bn
(2021: $30.1bn)

Return on average tangible equity
9.9%
(2021: 8.3%)

Employee engagement index
73%
(2021: 72%)

Inclusion index
76%
(2021: 75%)

Colleagues reporting HSBC cares about their well-being
70%
(up from 50% in 2016 when we first ran the survey)

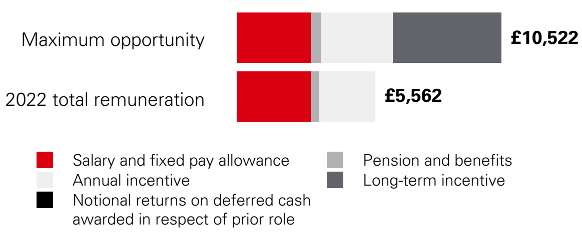
Percentage of women in senior leadership roles
33.3%
(2021: 31.7%)

Remuneration outcomes for executive Directors

Summary remuneration outcomes for 2022 are set out below. Further details are set out in our annual report on remuneration.

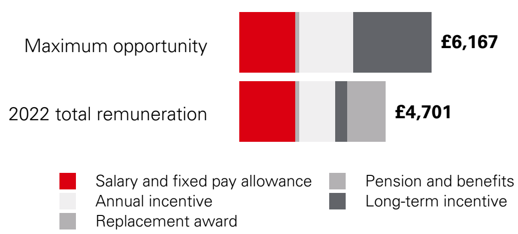
Noel Quinn

Total remuneration (£000)

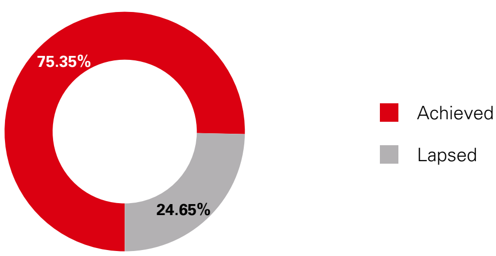


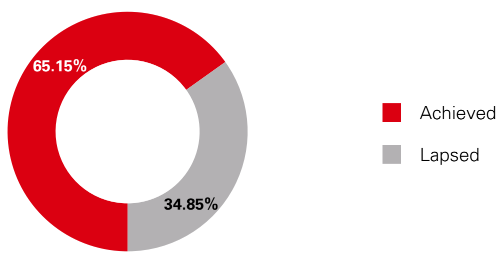
Ewen Stevenson

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.*

Remuneration policy summary – executive Directors

This section summarises our remuneration policy for executive Directors. The policy was approved at the AGM on 29 April 2022. The full remuneration policy can be found on pages 257 to 265 of our *Annual Report and Accounts 2021* and in the Directors' Remuneration Policy Supplement, which is available under Group results and reporting in the 'Investors' section of www.hsbc.com.

Elements and objectives	Operation	Implementation in 2023
Base salary	• Base salary is paid in cash on a monthly basis. • Other than in exceptional 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 the policy.	Base salary will not be increased for 2023 and will remain as follows: • Noel Quinn: £1,336,000 • Georges Elhedery: £780,000
Fixed pay allowance ('FPA')	• The FPA is granted in instalments of immediately vested shares. • On vesting, shares equivalent to the net number of shares delivered (after those sold to cover any income tax and social security) are subject to a retention period and released annually on pro-rata basis over five years, starting from the March immediately following the end of the financial year for which the shares are granted. • Dividends are paid on the vested shares held during the vesting period.	FPA for 2023 will not be increased for 2023 and will remain as follows: • Noel Quinn: £1,700,000 • Georges Elhedery: £1,085,000
Cash in lieu of pension	• Cash in lieu of pension is paid on a monthly basis as 10% of base salary. • This allowance, as a percentage of salary, is aligned 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.	• No change to percentage of base salary.
Annual incentive	• The maximum opportunity for the annual incentive is up to 215% of base salary. • Annual incentive performance is measured against an individual scorecard. • At least 50% of any award is delivered in shares, which are normally immediately vested. • 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. • Awards will be subject to clawback (i.e. repayment or recoupment of paid vested awards) for a period of seven years from the date of award, extending to 10 years in the event of an ongoing internal/regulatory investigation at the end of the seven-year period. Any unvested awards will be subject to malus (i.e. reduction and/or cancellation) during any applicable deferral period.	• No change to quantum. • See page 286 for details of 2023 annual incentive measures.
Long-term incentive ('LTI')	• The maximum opportunity for LTI awards is up to 320% of base salary. • The LTI award is granted if the Committee considers that there has been satisfactory performance over the prior year and 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, awards will 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. • 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. • Awards are subject to malus provisions prior to vesting. Vested shares are subject to clawback for a period of seven years from the date of award, extending to 10 years in the event of an ongoing internal/regulatory investigation at the end of the seven-year period. • Awards may be entitled to dividend equivalents during the vesting period, paid on vesting. Where awards do not receive dividend equivalents, the number of shares awarded can be determined using the share price discounted for the expected dividend yield.	• No change to quantum. • See page 285 for details of performance measures for the LTI awards with a 2023 to 2025 performance period.
Benefits	• Benefits include the 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). • Additional benefits may also be provided when an executive is relocated or spends a substantial proportion of his/her time in more than one jurisdiction for business needs.	• Benefits to be provided as per policy. Details will be disclosed in the *Annual Report and Accounts 2023* single figure of remuneration table.
Shareholding guidelines	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%	• No change to percentage of base salary.
All-employee share plans	Executive Directors are eligible to participate in all-employee share plans, such as HSBC Sharesave, on the same basis as all other employees.	• Participation in any such plans will be disclosed in the *Annual Report and Accounts 2023*, as required.

Our approach to workforce reward

Our refreshed reward proposition

During 2022, the Committee refreshed our reward strategy, to strengthen our focus on inspiring a dynamic culture where the best want to work. This work was underpinned by comprehensive internal and external research, including reviewing two years of feedback and data from our Snapshot and pay surveys, and exit interviews about what makes colleagues join, leave and engaged at HSBC.

Our workforce proposition is rooted in our purpose and values. Our commitment to reward colleagues fairly, along with the opportunity to do inspiring work and contribute within our international network, creates a unique proposition for colleagues. Our refreshed principles and supporting commitments articulate the experience for employees, and provide a clear framework to creating a dynamic culture where the best talent are motivated to deliver high performance. These principles are:

- We will reward you responsibly through fixed pay security and protection through core benefits, a competitive total compensation opportunity, and pay equity with a more inclusive and sustainable benefits proposition over time.
- We will recognise your success through our performance culture and routines, including feedback and recognition, pay for performance, and all employee share ownership opportunities.
- We will support you to grow through our proposition beyond pay, with a focus on future skills and development, your mental, physical, social and financial well-being, and flexibility in working practices.

We live up to many of these commitments today. We will also set new goals to continue to improve over time, with plans to focus on improving colleague sentiment through more transparency and structure in pay design, and better communications on how we make reward decisions.

Aligned with these commitments, we have developed a roadmap to build on our strong benefits and well-being programme, including flexible working, and more inclusive and sustainable benefits.

We have set clear measures and key performance indicators to track our progress, including by listening to colleague feedback.

Supporting colleagues in 2022

In 2022, our colleagues faced a backdrop of increasing economic instability, with rising energy prices and inflation, which increased their cost of living. While we continued to focus on making responsible reward decisions for our colleagues through our annual pay review, we also took a number of actions throughout 2022.

Given this context and our focus on pay security, we allocated more to fixed pay increases than in prior years, and this was based on consistent principles to help address the impact of rising inflation in many of our locations.

In determining 2023 fixed pay increases, we considered the impact of inflation in each market where we operate. Increases were targeted towards more junior and middle management colleagues as fixed pay is a larger proportion of their overall pay. Across the Group, there was an overall increase of 5.5% in fixed pay, compared with 3.6% for 2022. The level of increases varied by market, depending on the economic situation and individual roles.

The distribution of the variable pay pool was differentiated by business performance. There was robust differentiation for individual performance so that our highest performers received meaningful variable pay increases on the previous year. We have protected variable pay for junior colleagues, which is up on average, recognising the inflationary and cost of living challenges experienced across most of our markets.

Considering the macroeconomic environment and cost of living challenges impacting colleagues, we provided specific support to those most affected. For example, in the UK and the Channel Islands we paid our more junior colleagues a one-off payment of £1,500 to help with the cost of living pressures, driven primarily by rising energy costs. In Argentina, Sri Lanka and Türkiye, where colleagues were impacted by inflationary challenges, we gave our colleagues fixed pay increases throughout the year. In other areas we provided our colleagues support in the form of meal vouchers to help with rising food costs, and we increased flexibility around how and where our colleagues work. Some of our colleagues are still significantly impacted by the pandemic and we have ensured support in these specific markets. In mainland China and Hong Kong, we provided care packages and increased well-being sessions. In mainland China, we also delivered food essentials and provided inconvenience allowances. Where colleagues have been impacted by the Russia-Ukraine war we offered free independent and professional counselling, alongside hosting regular public webinars to manage topics such as stress and dealing with anxiety. Our colleagues in Poland have been providing direct assistance to people crossing the border and we quickly made available financial resources for them to continue to directly support refugees.

The well-being of our people remained a critical focus in 2022, and in particular, the financial well-being of our colleagues and their families. Guided by data and colleague feedback, the pillars of our well-being programme are mental, physical, financial and social well-being. Despite the immense challenges, sentiment remained high. A total of 70% of colleagues believe HSBC genuinely cares about their well-being. In a September survey, 84% of colleagues rated their mental well-being as positive, 71% rated their overall physical well-being positively and 60% of colleagues reported their financial well-being as positive.

We measure our colleagues' sentiment on performance and pay through our annual pay review surveys. Considering the challenges colleagues faced, it was encouraging to see that check-ins happened regularly, with 66% of colleagues having frequent conversations with their managers (2021: 60%). 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.

Throughout the year we 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 purpose and values. We also run annual spotlight campaigns, with the campaign in 2022 focusing on ESG issues to recognise colleagues for exceptional actions in supporting our need to work responsibly. Our colleagues made over 1.2 million recognitions during 2022, a record high and an 11% increase on the previous year.

Annual report on Directors' remuneration

This section sets out how our approved Directors' remuneration policy was implemented during 2022.

Determining executive Directors' incentive outcomes

(Audited)

For any annual incentive award to be made, each executive Director must achieve a minimum standard of conduct and values-aligned behaviour. For 2022, both executive Directors met this requirement.

The award is determined by applying the outcome of their annual incentive scorecard to the maximum opportunity, which was set at 215% of salary. The scorecard measures, weightings and targets were determined at the start of the financial year taking into account the Group's plan for 2022 and the Group's strategic priorities and commitments. For strategic measures, the assessment was against targets set for employee diversity, survey results for employee experience and customer satisfaction measures, as well as progress made and momentum generated to achieve our strategic priorities.

The Group's financial performance was reflected in the achievement against the measures in the executive Directors' annual scorecards. In particular, the Committee recognised:

- adjusted profit before tax was $24.0bn, which represented an increase of 17% compared with $20.6bn in 2021;
- strong cost controls were demonstrated, despite inflationary pressures and continued investment in technology, with adjusted costs at $30.5bn; and
- RoTE was 9.9%, an improvement on 8.3% in 2021.

Our Employee engagement and Inclusion indices in the Snapshot survey both increased and were above the financial services benchmarks. The percentage of Black heritage colleagues in senior leadership globally increased, as did the percentage of women in senior leadership. For customer satisfaction, NPS performance is assessed with reference to rank movements against our competitors and underlying NPS scores. Performance details for employees and customers measures are set out in the table in the section below.

Overall, this level of performance resulted in a formulaic scorecard outcome of 79.32% of the maximum for Noel Quinn and 76.65% for Ewen Stevenson.

The annual incentive scorecard is also subject to a risk and compliance modifier, which provides the Committee with the discretion to adjust down the overall scorecard outcome. Taking into account the Group's performance against risk metrics, inputs from the Group Risk Committee and the overall accountability of the executive Directors with regards to specific matters around capital management in the year, the Committee used its judgement and applied a downward adjustment of 5% to Noel Quinn's annual incentive outcome and 15% to Ewen Stevenson's. The difference in adjustments reflected the degree of accountability and relative proximity for capital management. This resulted in an adjusted incentive outcome of 75.35% of maximum opportunity for Noel Quinn and 65.15% for Ewen Stevenson. This represented amounts of £2,164,000 for Noel Quinn (2021: £1,590,000) and £1,091,000 for Ewen Stevenson (2021: £978,000).

As detailed in the Chair's letter, the Committee considered carefully the executive Directors' pay outcomes in the context of pay decisions made for the wider workforce and determined that these were an appropriate reflection of Group, business and individual performance delivered in 2022.

Annual incentive scorecard assessment

(Audited)

Summary assessment

				Noel Quinn			Ewen Stevenson		
	Minimum (25% payout)	Maximum (100% payout)	Performance	Weighting (%)	Assessment (%)	Outcome (%)	Weighting (%)	Assessment (%)	Outcome (%)
Group adjusted profit before tax ($bn)	16.66	19.51	24.01	20.00	100.00	20.00	15.00	100.00	15.00
Group lending growth – customer loans and advances (third party)	2.96%	5.93%	1.45%	7.50	—	—	5.00	—	—
Growth in net new invested assets ($bn)	52.36	76.17	79.83	7.50	100.00	7.50	5.00	100.00	5.00
Reported RoTE	3.00%	5.00%	9.90%	15.00	100.00	15.00	15.00	100.00	15.00
Group adjusted cost total ($bn)	30.87	29.47	30.47	10.00	46.43	4.64	10.00	46.43	4.64
Customer satisfaction	See following tables for commentary			15.00	60.33	9.05	15.00	60.33	9.05
Employee experience				15.00	87.50	13.13	15.00	87.50	13.13
Personal objectives				10.00	100.00	10.00	20.00	74.15	14.83
Total				100.00		79.32	100.00		76.65
Annual incentive formulaic outcome (000)						£2,278			£1,284
Risk adjustments as a result of Committee judgement (000)						£(114) 5%			£(193) 15%
Annual incentive (000)						£2,164			£1,091

Strategic measures for Noel Quinn and Ewen Stevenson

	Measures	Weighting (%)	Assessment considerations by the Committee	Assessment (%)	Outcome (%)
Customer satisfaction	Maintain and improve NPS in the UK and Hong Kong, in digital markets, and in key growth markets	15.00%	• UK and Hong Kong (assessed at 59%). In WPB, our NPS improved in the UK and Hong Kong, and we were ranked in first place in Hong Kong. In CMB, our NPS improved in Hong Kong but fell in the UK, and we were ranked in second place in Hong Kong. In GBM, our global NPS improved and our global rank remained in fifth. • Digital markets (assessed at 68%). In WPB and CMB digital businesses in Hong Kong, we were ranked in first and third. In GBM globally, our digital trade finance platforms maintained first place for the quality of platforms. Our PayMe payments app was ranked in second place for digital wallets. • Key growth markets (assessed at 54%). In WPB, our NPS improved in mainland China and Singapore, remained unchanged in Mexico, and in India saw a small decrease. In CMB, our NPS increased in mainland China, Singapore and Mexico, and our rank positions in those markets either improved compared with 2021 or were in the top three against competitors.	60.33%	9.05%
Employee experience	Improve engagement, and diversity and inclusion	15.00%	• Our Snapshot Employee engagement and Inclusion indices both increased one percentage point year on year to 73% and 76%, respectively, above maximum targets and the financial services benchmarks. • The percentage of Black heritage colleagues in senior leadership increased by 0.3% to 2.5%, meeting our maximum target. • The percentage of women in senior leadership increased by 1.6% to 33.3% since 2021, within the target range of 33.2% to 33.7%.	87.50%	13.13%

Personal objectives for Noel Quinn and Ewen Stevenson

For each executive Director, personal objectives were set at the start of the year and measured by the Committee with respect to key performance indicators under our strategy levers.

Noel Quinn	Weighting	Assessment	Performance achievement
Technology transformation	2.5%	100%	• The Committee's assessment reflects strong progress automating our organisation at scale against targets set. Our Cloud adoption rate, which is the percentage of our technology services on the private or public Cloud, increased to 35% (2021: 27%). At the end of 2022, approximately 49% of our WPB customers were 'mobile active' users (2021: 43%).
Execution of inorganic initiatives in Asia	2.5%	100%	• The targets for inorganic initiatives were delivered in 2022. We completed the acquisition of L&T Investment Management Limited, making us the 12th largest mutual fund management company in India, bringing in $10.8bn assets under management and 2.4 million active portfolios. We raised our stake in HSBC Qianhai in China to 90%, completed our acquisition of the remaining 50% shares in HSBC Life Insurance in China. We renewed our exclusive life distribution partnership with Allianz in Asia, resulting in the combined group being the fourth largest health insurer and seventh largest life insurer in Singapore.
Progress on exits identified	2.5%	100%	• The planned sales of our banking business in Canada, branch operations in Greece and business in Russia were announced, reflecting strong progress in reshaping our portfolio.
Progress on innovation programmes	2.5%	100%	• In CMB, we launched an industry-leading native bank account service with Oracle Netsuite Enterprise Resource Planning. We also launched Business Go, a platform that brings together international SMEs with providers of expert advice and business optimisation tools. In GBM, we launched HSBC Orion, our new proprietary tokenisation platform used for digital bond issuance. In WPB, we launched our international credit offering, allowing customers to gain access to credit in a new country based on credit history in their home country.
Total	**10% out of 10%**		

Ewen Stevenson	Weighting	Assessment	Performance achievement
Finance for the future	12%	67%	• The financial implications of financed emissions targets for the oil and gas, and power and utilities sectors and for the $750bn to $1tn target were included in our financial resource plan, meeting the objectives set. • The second round of the climate biennial exploratory scenario and stress tests for the Monetary Authority of Singapore and European Central Bank were completed, with no material issues. • Plans have been delivered for IFRS 17 compliant reporting, in line with external reporting and disclosure requirements. • The Bank of England Resolvability Assessment Framework and regulatory reporting enhancement objectives were delivered in line with the targets set. • Resolved 100% of market risk RWA-related issues and over 80% of liquidity-related issues, which were previously identified and managed under the regulatory reporting enhancement programme. • The programme to deliver timely, accurate and complete customer-centric management information using a single data Cloud platform, with enhanced controls and reduced operational risks, is on track to the agreed scope, costs and timeline.
Global Finance employee experience and function efficiency	4%	96%	• Targets were met with increased Employee engagement index at 75% favourable (2021: 68%). • Female representation in senior management roles across Finance increased to 32.1% (2021: 30.2%). • Finance costs overall were within 2022 targets. The number of FTEs at the end of 2022 was slightly higher than the maximum target, mainly due to growth in key areas where new capabilities are required.
Creating strong corporate development and Group transformation functions	4%	75%	• The Group Transformation function has made strong progress in aligning our change portfolio to the Group's strategy and systematically documenting a full change inventory. Achievements include clear reporting with associated costs on how the change portfolio is enabling the delivery of Group strategy, and stronger governance of the change portfolio, with an expanded remit of the Transformation Oversight Executive Committee to cover the entire change portfolio with improved accountability via targeted reviews of high impact programmes. • Major transactions included planned sales of our banking business in Canada, branch operations in Greece and business in Russia were announced; the planned merger of Oman operations with Sohar International Bank; the completion of the Axa Singapore acquisition; the sale of US domestic mass market retail banking; and the acquisition of L&T Investment Management Limited in India.
Total	**14.83% out of 20%**		

Single figure of remuneration

(Audited)

The following table shows the single figure of total remuneration of each executive Director for 2022, together with comparative figures.

Single figure of remuneration

	Noel Quinn		Ewen Stevenson	
(£000)	**2022**	2021	**2022**	2021
Base salary[1]	**1,329**	1,288	**775**	751
Fixed pay allowance ('FPA')[1]	**1,700**	1,700	**1,085**	1,062
Cash in lieu of pension	**133**	129	**77**	75
Taxable benefits[2]	**119**	95	**7**	3
Non-taxable benefits[2]	**86**	71	**50**	42
Total fixed	**3,367**	3,283	**1,994**	1,933
Annual incentive	**2,164**	1,590	**1,091**	978
Notional returns[3]	**31**	22	**—**	—
Replacement award[4]	**—**	—	**1,180**	754
Long term incentive[5]	**—**	—	**436**	—
Total variable	**2,195**	1,612	**2,707**	1,732
Total fixed and variable	**5,562**	4,895	**4,701**	3,665

1 *Executive Directors made the personal decision to donate 100% of their base salary increases for 2021 to charity. Ewen Stevenson also donated his FPA increase for 2021 to charity. Figures 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 *The deferred cash awards granted in prior years include 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.*
4 *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 2022 relate to his 2018 replacement award granted by the Royal Bank of Scotland Group plc, now renamed as NatWest Group plc ('NatWest') for performance year 2018 and was subject to a pre-vest performance test assessed and disclosed by NatWest in its* Annual Report and Accounts 2021 *(page 158). As no adjustment was proposed for Ewen Stevenson by NatWest, a total of 241,988 shares granted in respect of his 2018 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 £4.8772 when the first tranche of these awards vested and all tranches were no longer subject to performance conditions, with no value attributable to share price appreciation. The values included in the table for 2021 are explained in the* Annual Report and Accounts 2021.
5 *An LTI award over 476,757 shares was made in February 2020 (in respect of 2019) at a share price of £5.6220 for which the performance period ended on 31 December 2022. The value has been computed based on a share price of £4.816, the average share price during the three-month period to 31 December 2022. There is no value attributable to share price appreciation. See the following section for details of the assessment outcomes, which resulted in 19% vesting due to performance.*

Benefits

The values of the significant benefits in the single figure table are set out in the following table[1]. The insurance benefit for Noel Quinn has increased year on year because of the increase in premium at annual renewal.

	Noel Quinn	
(£000)	**2022**	2021
Insurance benefit (non-taxable)	**82**	67
Car and driver (UK and Hong Kong)	**69**	87

1 *The insurance and car benefits for Ewen Stevenson are not included in the above table as they were not deemed significant.*

Long-term incentive ('LTI') awards

(Audited)

LTI awards over 2020 to 2022 performance period

The 2019 LTI award was granted to Ewen Stevenson in February 2020. Noel Quinn did not receive a 2019 LTI award. Based on the performance outcome, 90,584 shares will vest for Ewen Stevenson. The awards will vest in five equal annual instalments commencing in February 2023.

The Committee is mindful of executives not experiencing 'windfall gains' through the granting of LTI awards when a share price is particularly low. We introduced an upfront windfall gains check for 2020 LTI awards. The Committee agreed that if the LTI grant share price experienced a greater than 30% decline since the previous grant, that an adjustment percentage equal to half the share price percentage decline would be applied to the awards to mitigate the potential for windfall gains. Although this was not in place for the 2019 LTI award, no pre-grant adjustment would have been applied if it had been. The value of awards at vesting is less than at grant and the Committee determined that there are no windfall gains to consider for this award.

Assessment of the 2019 LTI award (performance period 1 January 2020 to 31 December 2022)

Measures (weighting)[1]	Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)	Actual	Assessment	Outcome
Average RoTE with CET1 underpin[2] (33.3%)	10.0%	11.0%	12.0%	9.9%	0.0%	0.00%
Relative TSR[3] (33.3%)	At median of the peer group	Straight-line vesting between minimum and maximum	At upper quartile of peer group	Below median	0.0%	0.00%
Customers (33.3%)	Performance was assessed by the Committee based on: • customer satisfaction scores at the start and end of the three-year performance period for our global businesses in home and scale markets, which resulted in a formulaic 64% outcome. This comprised: – UK and Hong Kong (assessed at 58%) – in WPB and CMB, we were ranked in first and second place in Hong Kong, with improved NPS scores. In GBM, our global NPS improved and our global rank remained in fifth; – Digital markets (assessed at 77%) – in WPB and CMB digital markets, we were ranked in top three positions in Hong Kong, and in GBM globally, our digital trade finance platforms were ranked in first place; and – Key growth markets (assessed at 56%) – in WPB, our NPS increased in mainland China, Singapore and Mexico, and in India saw a small decline, and in CMB, our NPS increased in Mexico, with slight decreases in the other markets, but our rank positions in all four markets were in the top three against competitors. • progress against customer objectives linked to our strategy over 2020 to 2022. It was determined that it broadly represented target performance and therefore 50% of this element was achieved. The main items driving this assessment are our growth in international and Premier customers and in specific growth markets, where our overall performance has been broadly in line with plan and expectations. These two percentages (64% and 50%) averaged to 57%.				57.0%	19.00%
Total						19.00%

1 Awards vest on a straight-line basis for performance between the minimum, target and maximum levels of performance set in this table.
2 Assessed based on RoTE in the 2022 financial year, which was not met. The CET1 underpin was met.
3 The peer group was: 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.

LTI awards over 2023 to 2025 performance period

After taking into account performance for 2022, the Committee decided to grant Noel Quinn an LTI award of £4,275,000.

The 2022 LTI awards will have a three-year performance period starting 1 January 2023. 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 relative total shareholder return ('TSR'). This is consistent with the measures used for our last LTI awards.

The Committee regularly reviews the TSR peer group to ensure it remains an appropriate performance comparison, taking into account strategic shifts in our geographical and business mix, notably future growth investment in Asia and wealth business. Following feedback from some of our shareholders, the Committee reviewed the TSR performance peer group, with the objective of including more Asian peers to better reflect the balance of markets and businesses of the Group. The new peer group will be used for the relative TSR measure for LTI awards for the 2023 to 2025 performance period and now includes Bank of China (Hong Kong), China Merchants Bank and OCBC Bank. No change will be made to the performance peer group for subsisting LTI awards.

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 2022 (performance period 1 January 2023 to 31 December 2025)

Measures[1]		Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)	Weighting %
RoTE with CET1 underpin[2]		13.0%	14.3%	15.5%	25.0
Capital reallocation to Asia with CET1 underpin[3]		49.0%	50.5%	52.0%	25.0
Transition to net zero[4]	**Carbon reduction (own emissions)**	64.0%	68.0%	72.0%	25.0
	Sustainable finance and investment	$588.0bn	$700.0bn	$756.0bn	
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
Subject to risk and compliance modifier					

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.*
3 *To be assessed based on share of Group tangible equity (on a reported basis and excluding associates) allocated to Asia by 31 December 2025. This metric will be subject to the CET1 underpin.*
4 *Carbon reduction will be measured based on percentage reduction in total energy and travel emissions achieved by 31 December 2025 using 2019 as the baseline. The sustainable finance and investment metric will assess the cumulative amount provided and facilitated over the period ending 31 December 2025.*
5 *The peer group for the 2022 award is: Bank of China (Hong Kong), Barclays, BNP Paribas, China Merchants Bank, Citigroup, DBS Group Holdings, JP Morgan Chase & Co., Lloyds Banking Group, OCBC Bank, Standard Chartered and UBS Group.*

Annual incentive measures for 2023

The 2023 annual incentive scorecard measures for our executive Directors have been set to deliver growth and business transformation. They were selected by the Committee after taking into account the Group's strategic pivot to Asia and feedback received from our major shareholders during engagement in the year. The targets have been set to reflect the Group's 2023 plan, while considering macroeconomic uncertainty, including the interest-rate environment and rising 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 2023 annual incentive award for executive Directors are disclosed below. In previous years, the weightings were different for the Group Chief Executive and Group Chief Financial Officer. For 2023, these have been aligned, reflecting feedback from shareholders and to simplify our approach. 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 Directors' remuneration report for that year.

2023 annual incentive performance measures	Weighting
Financial (subject to CET1 underpin)	**60%**
Reported profit before tax	15%
Reported operating expenses	15%
Reported Group RoTE	15%
Reported Asia RoTE	5%
Fee income growth	5%
Net new invested assets growth	5%
Stakeholders	**30%**
Customer satisfaction *(improvement in NPS scores/rank)*	15%
Employee experience (*gender and ethnicity representation and Inclusion index score)*	15%
Personal objectives *Group Chief Executive: technology transformation, innovation, and simplification of processes and organisation* *Group Chief Financial Officer: regulatory priorities (regulatory reporting enhancement programme, resolution recovery planning, and ESG and climate), Finance change transformation and digitisation, energised Finance workforce, and liquidity usage and capital management*	**10%**
Subject to risk and compliance modifier	

Scheme interests awarded during 2022

(Audited)

The table below sets out the scheme interests granted to executive Directors during 2022 in respect of performance year 2021, as disclosed in the 2021 Directors' remuneration report. No non-executive Directors received scheme interests during the financial year.

Scheme awards in 2022

(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
Noel Quinn	LTI deferred shares[2]	% of salary[2]	**28 February 2022**	**5,290**	**25**	**983,339**	**31 December 2024**
Ewen Stevenson	LTI deferred shares[2]	% of salary[2]	**28 February 2022**	**3,086**	**25**	**573,674**	**31 December 2024**

1 *The face value of the award has been computed using HSBC's closing share price of £5.380 taken on 25 February 2022. LTI awards are conditional share awards 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 2022 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 320% of salary for Noel Quinn and 320% of salary for Ewen Stevenson. The number of shares to be granted was determined by taking HSBC's closing share price of £5.380 taken on 25 February 2022, and applying a discount based on HSBC's expected dividend yield of 5% per annum for the vesting period (£4.201).*

The above table does not include details of shares issued as part of the fixed pay allowance and shares issued as part of the 2021 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 2021 LTI award are below:

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

(Audited)

Measures[1]		Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)	Weighting %
RoTE (with CET[1] 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
Environment and sustainability[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 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 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.*

Executive Directors' interests in shares

(Audited)

The shareholdings of executive Directors in 2022, including the shareholdings of their connected persons, at 31 December 2022 (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 2022 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 that are not subject to forward-looking performance conditions (on a net of tax basis) will count towards their shareholding requirement under the shareholder-approved policy.

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 fixed pay allowance 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 a 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)	Shareholding at 31 Dec 2022[2] (% of salary)	At 31 Dec 2022 Share interests (number of shares)	Scheme interests Share options[3]	Shares awarded subject to deferral[1] without performance conditions[4]	Shares awarded subject to deferral[1] with performance conditions[5]
Executive Directors						
Noel Quinn[6]	400%	**513%**	**1,422,650**	**—**	**415,771**	**2,101,893**
Ewen Stevenson[6]	300%	**658%**	**1,064,626**	**—**	**383,587**	**1,687,628**

1 The gross number of shares is disclosed. A portion 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 2022 (£4.816).
3 At 31 December 2022, 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 2021 and 2022 are subject to the performance conditions as set out in the preceding sections above.
6 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).

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

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)

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)

Departure terms for Ewen Stevenson

Ewen Stevenson is leaving the Group on 30 April 2023. He will receive payments totalling £703,519 from the Group in lieu of his base salary and pension allowance from 1 January until 25 October 2023. He will also receive his fixed pay allowance in respect of the same period, which totals £885,836, and will be awarded in immediately vested shares. The fixed pay allowance will be subject to a retention period and released on a pro-rata basis over five years.

Ewen Stevenson will not be eligible for an LTI award in respect of the 2022 performance year, or any annual incentive award in respect of the 2023 performance year.

In accordance with the contractual terms agreed and our approved Directors’ remuneration policy, Ewen Stevenson was granted good leaver status in respect of his outstanding unvested share awards. Good leaver status is conditional upon him not taking up a role with a defined list of competitor financial services firms for a year from his departure date. As a good leaver, his deferred share awards will continue to vest and be released on their scheduled vesting dates, subject to the relevant terms (including post-vesting retention periods, malus and, where applicable, clawback). Any vesting of his LTI awards will be pro-rated for the period up to the departure date and will be subject to the relevant terms (including post-vesting retention periods, malus and clawback) and the achievement of the required performance conditions. For this purpose, his 2020 and 2021 LTI awards have been pro-rated for time with the maximum number of shares, being 495,597 and 254,966 respectively, still subject to performance.

The Group will make a contribution towards Ewen Stevenson's legal fees incurred in connection with his departure arrangements. In line with the Directors' remuneration policy, Ewen Stevenson will be eligible to receive certain post-departure benefits for a period of up to seven years after the departure date.

Ewen Stevenson will receive no other compensation or payment for the termination of his service agreement or his ceasing to be a Director of the Group.

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

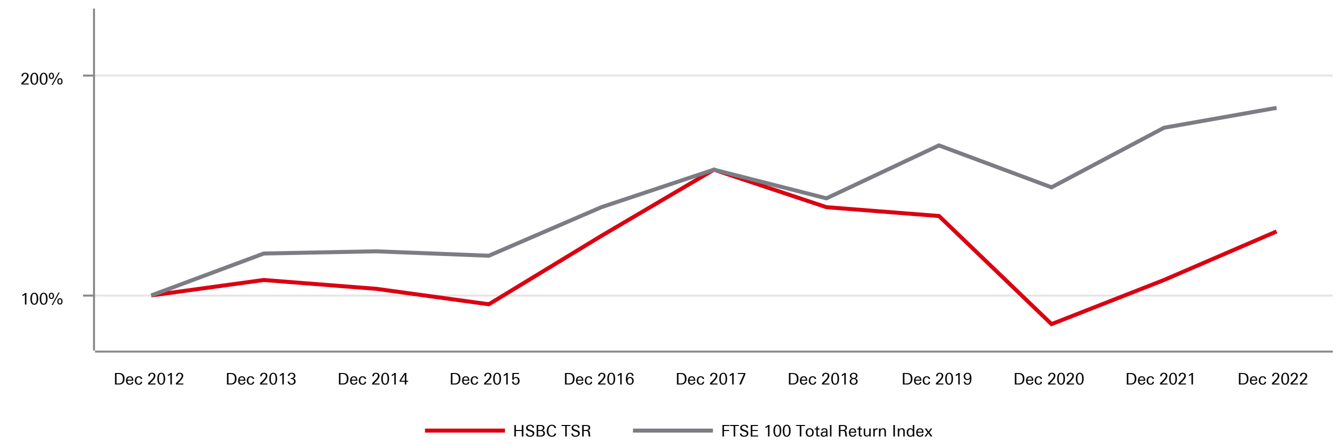
External appointments

During 2022, executive Directors did not receive any fees from external appointments.

Summary of shareholder return and Group Chief Executive remuneration

The 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 2022.

HSBC TSR and FTSE 100 Total Return Index



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.

	2013	2014	2015	2016	2017	2018		2019		2020	2021	**2022**
Group Chief Executive	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	John Flint	John Flint	Noel Quinn	Noel Quinn	Noel Quinn	**Noel Quinn**
Total single figure £000	8,033	7,619	7,340	5,675	6,086	2,387	4,582	2,922	1,977	4,154	4,895	**5,562**
Annual incentive[1] (% of maximum)	49%	54%	45%	64%	80%	76%	76%	61%	66%	32%	57%	**75%**
Long-term incentive[1,2,3] (% of maximum)	49%	44%	41%	–%	–%	100%	–%	–%	–%	–%	–%	**–%**

1 *The 2012 annual incentive figure for Stuart Gulliver 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 2013 to 2015 are therefore related to awards granted in 2014 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 2019 LTI award that had a performance period ended on 31 December 2022.*

Voting results from Annual General Meeting

2022 Annual General Meeting voting results

	For	**Against**	**Withheld**
Remuneration report (votes cast)	**95.83%**	**4.17%**	**—**
	7,675,588,519	**334,152,471**	**6,830,718**
Remuneration policy (votes cast)	**95.73%**	**4.27%**	**—**
	7,666,488,029	**342,320,697**	**7,773,468**

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 plc. 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/who-we-are/leadership-and-governance/board-committees.

The Committee met six times during 2022. Pauline van der Meer Mohr stepped down from the Committee and the Board after the 2022 AGM, and was succeeded as Group Remuneration Committee Chair by Dame Carolyn Fairbairn. Geraldine Buckingham was appointed as a member of the Committee in June 2022. The following is a summary of the Committee's key activities during 2022.

Matters considered during 2022

	Jan	Feb	May	Jul	Sep	Dec
Remuneration framework and governance						
Group variable pay pool, workforce performance and pay matters, pay gap report, and employee insights	●	●	●	●	●	●
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	●	○	●	●	●	●

● *Matter considered* ○ *Matter not considered*

Advisers

The Committee received input and advice from different advisers on specific topics during 2022. Deloitte provided independent advice to the Committee. Deloitte also provided tax compliance and other advisory services to the Group in 2022. 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 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 2022.

For 2022, total fees of £203,800 and £79,803 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.

During the year, the Committee conducted a tender process for its independent remuneration adviser. This involved participating firms submitting proposals and meeting with the Committee Chair and management. Following this process, Deloitte was reappointed as the Committee's independent advisers.

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;
- Ewen Stevenson, who was Group Chief Financial Officer until 31 December 2022;
- Jenny Craik, Group Head of Performance, Reward and Employee Relations;
- Pam Kaur, Group Chief Risk and Compliance Officer;
- Bob Hoyt, Group Chief Legal Officer;
- Shawn Chen, former Global General Counsel for Litigation and Regulatory Enforcement;
- Maureen Lewis, Interim Global General Counsel for Litigation and Investigation; 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.

No Director is present at Group Remuneration Committee meetings when their own remuneration is discussed.

In addition to the meetings above, the Group Risk Committee convened two joint meetings with the Group Remuneration Committee in September 2022 and December 2022. They reviewed the Group's risk and reward alignment framework, which is designed to promote sound and effective risk management in meeting PRA and FCA remuneration rules and expectations.

Committee effectiveness

The annual review of the effectiveness of the Board committees, including the Group Remuneration Committee, was conducted internally in 2022, led by the Group Company Secretary and Chief Governance Officer. Overall, the review concluded that the Committee continued to operate effectively and in line with regulatory requirements.

Areas for continued enhancement were identified, including the need to focus on: a differentiated, fair and transparent reward framework; ESG performance metrics; and in particular, sustainability; the development of climate performance measures aligned to strategic net zero goals; and greater coordination with the Group Risk Committee. Given the anticipated changes to remuneration regulations and evolving shareholder views on remuneration, a structured training programme will be developed and delivered by the Committee's independent remuneration advisers. The outcomes of the 2022 annual review have been reported to the Board, and the Group Remuneration Committee will track the progress in implementing recommendations during 2023.

Non-executive Directors

(Audited)

The following table shows the total fees and benefits of non-executive Directors for 2022, together with comparative figures for 2021.

Fees and benefits

(Audited)	Fees[1]		Benefits[2]		Total	
(£000)	**2022**	2021	**2022**	2021	**2022**	2021
Geraldine Buckingham[3]	**155**	—	**—**	—	**155**	—
Rachel Duan[4]	**225**	67	**5**	—	**230**	67
Dame Carolyn Fairbairn[5]	**265**	80	**1**	—	**266**	80
James Forese[6]	**689**	572	**—**	—	**689**	572
Steven Guggenheimer	**262**	250	**10**	—	**272**	250
Irene Lee[7]	**488**	556	**—**	—	**488**	556
José Antonio Meade Kuribreña[8]	**242**	223	**14**	—	**256**	223
Pauline van der Meer Mohr[9]	**92**	291	**18**	—	**110**	291
Eileen Murray[10]	**262**	266	**—**	—	**262**	266
David Nish	**477**	482	**22**	10	**499**	492
Jackson Tai	**377**	350	**25**	—	**402**	350
Mark Tucker	**1,500**	1,500	**113**	33	**1,613**	1,533
Total (£000)	**5,034**	4,637	**208**	43	**5,242**	4,680
Total ($000)	**6,199**	5,710	**256**	53	**6,455**	5,763

1 Fees are in line with the Directors' remuneration policy that was approved at the 2022 AGM. No travel allowance was paid to non-executive Directors during 2021 due to travel restrictions. The payment of the travel allowance of £4,000 per annum (pro-rata) was paid following the resumption of travel by the Board in 2022.

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 Appointed to the Board and the Group Nomination & Corporate Governance Committee on 1 May 2022, and appointed as a member of the Group Remuneration Committee and Group Risk Committee on 1 June 2022.

4 Appointed as a member of the Group Audit Committee on 1 June 2022.

5 Appointed as Chair of the Group Remuneration Committee effective 29 April 2022.

6 Stepped down as a member of the Group Audit Committee on 1 June 2022 and joined the Group Risk Committee on 1 June 2022. Includes fees of £447,000 (2021: £332,000) in relation to his role as Chair of HSBC North America Holdings, Inc. This fee was deferred for 2022.

7 Retired from the Board effective 29 April 2022. Includes fees of £434,000 (2021: £380,000) in relation to her roles as non-executive Director and Remuneration Committee Chair, Audit Committee member and Risk Committee member of The Hongkong and Shanghai Banking Corporation Limited and non-executive Chair, Nomination Committee Chair and member of the Audit, Risk and Remuneration Committees of Hang Seng Bank Limited.

8 Retired from the Group Risk Committee on 1 June 2022. Appointed as the designated workforce engagement non-executive Director on 1 June 2022.

9 Retired from the Board effective 29 April 2022.

10 Retired from the Group Risk Committee on 1 June 2022, and appointed as a member of Group Audit Committee on 1 June 2022.

Non-executive Directors' interests in shares

(Audited)

The shareholdings of persons who were non-executive Directors in 2022, including the shareholdings of their connected persons, at 31 December 2022, 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 2022 met the guidelines.

Shares

	Shareholding guidelines (number of shares)	**Share interests (number of shares)**
Geraldine Buckingham (appointed to the Board on 1 May 2022)	15,000	**15,000**
Rachel Duan	15,000	**15,000**
Dame Carolyn Fairbairn	15,000	**15,000**
James Forese	15,000	**115,000**
Steven Guggenheimer	15,000	**15,000**
Irene Lee (retired on 29 Apr 2022)	15,000	**15,000**
José Antonio Meade Kuribreña	15,000	**15,000**
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 (retired on 29 Apr 2022)	15,000	**15,000**

2023 fees for non-executive Directors

The table below sets out the 2023 fees for non-executive Directors.

Position		2023 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
Designated workforce engagement non-executive Director		40,000

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

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.

2023 AGM	2024 AGM	2025 AGM
Geraldine Buckingham[1]	James Forese	Rachel Duan
Kalpana Morparia[1]	Steven Guggenheimer	Dame Carolyn Fairbairn
David Nish	Eileen Murray	José Antonio Meade Kuribreña
	Mark Tucker	

1 *Geraldine Bucking and Kalpana Morparia were appointed following the 2022 AGM and therefore their initial three-year appointment terms are subject to approval of their election by shareholders at the 2023 AGM. Their initial three-year term of appointment will end at the conclusion of the 2026 AGM, subject to annual re-election by shareholders' at the relevant AGMs.*

Our approach to workforce remuneration

Remuneration alignment with executive Directors

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 value-aligned behaviours. We set out below the key features and design characteristics of our remuneration framework, which will 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.	• Fixed pay may include salary, fixed pay allowance, cash in lieu of pension and other cash allowances in accordance with local market practice. • It is based on predetermined criteria, non-discretionary, transparent and not reduced based on performance. • It represents a higher proportion of total compensation for more junior employees. • Fixed pay 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. • Annual incentives represent 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.

Overview of remuneration structure for employees (continued)

Remuneration components and objectives	Application for Group employees	Approach for executive Directors
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.
Target variable remuneration Support recruitment of key individuals.	• Target variable pay is an indicative value, which is awarded in exceptional circumstances for new hires, and is limited to the individual's first year of employment only, and is subject to a number of factors (such as the respective performance of the Group, business unit and individual), and the final value paid remains at the full discretion of HSBC. • The exceptional circumstances would typically involve a critical new hire and would also depend on the factors such as the seniority of the individual, where the new hire candidate is forfeiting any awards 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.
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 (33% vesting on the first and second anniversaries of grant and 34% on the third). • 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 in specified roles with managerial responsibilities as prescribed under the PRA and FCA remuneration rules and seven years for individuals in PRA-designated senior management functions. • In line with the PRA and FCA remuneration rules, and in 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 and awards granted to non-MRTs on or after 1 January 2022 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 all Group MRTs and the majority of local MRTs, excluding executive Directors, a minimum 50% of the deferred awards is in HSBC shares and the rest into deferred cash. Local regulatory requirements would also apply where necessary. • For some employees in our asset management business, where required by the relevant regulations, at least 50% of the deferred award is linked to fund units reflective of funds managed by those entities, with the remaining portion in 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.
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

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:

Framework elements	Application
Variable pay pool	The Group variable pay pool is expected to reflect Group performance, based on a range of financial, non-financial and contextual factors. We 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, taking into account contextual factors driving performance, and 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 (up to 100% of 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 (and awards granted to non-MRTs on or after 1 January 2022) 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, unless aligned with local market practice and with appropriate safeguards to avoid incentivising inappropriate sales behaviours.
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.

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
2022	A	167:1	95:1	49:1
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
2022	A	33,284	24,615	58,257	41,000	113,778	95,000
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 in 2021 to the Group Chief Executive, reflecting the improvement in the financial performance of the Group. This is described further in the Committee Chair's letter.

The total pay and benefits for the median employee for 2022 was £58,257, a 6.5% increase compared with 2021.

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.

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 2022. 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 nearly 35,000 UK employees, other than the individual performing the role of Group Chief Executive. We calculated our pay quartiles and benefits information for our UK employees using:

- full-time equivalent annualised fixed pay, which includes salary and allowances, at 31 December 2022;
- variable pay awards for 2022;
- 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.

Full-time equivalent fixed pay and benefits for each employee have been calculated by using each employee's data as at 31 December 2022. Where an employee works part-time, fixed pay and benefits are grossed up, where appropriate, to full-time equivalent. One-off benefits 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 is the single figure of remuneration table for Noel Quinn. Total remuneration does not include an LTI as he has not received an LTI award with a performance period that ended during 2022. 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 differences in business mix and size; employment and compensation practices; methodologies for computing pay ratios; and assumptions used by companies, the reported ratios may not be comparable to our international and listed peers on the FTSE 100.

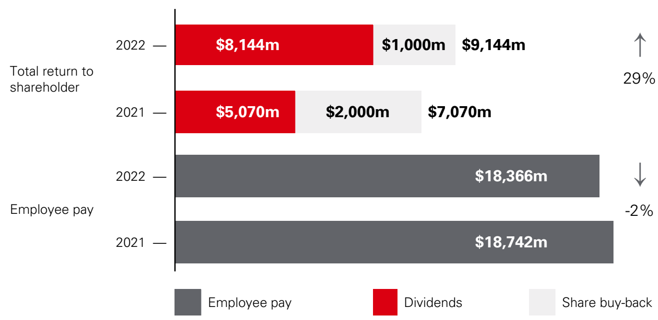
Relative importance of spend on pay

The following chart shows the change in:

- total staff pay between 2021 and 2022; and
- dividends and share buy-backs in respect of 2021 and 2022.

In 2022, total spend on pay was slightly lower than in 2021, while the distribution to shareholders increased by 29% compared with 2021, reflecting a higher dividend and the capital return to shareholders through the $1bn share buy-back announced in February 2022, which concluded in 2022. Dividends include an approximation of the amount payable in April 2023 in relation to the second interim dividend of $0.23 per ordinary share.

Relative importance of spend on pay



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 2022 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 2022 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 2022 and/or 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 2022 are not included, which includes Geraldine Buckingham who joined on 1 May 2022.

Annual percentage change in remuneration

	2020			2021			2022		
Director/employees	Base salary/fees	Benefits	Annual incentive	Base salary/fees	Benefits	Annual incentive[1]	Base salary/fees	Benefits	Annual incentive
Executive Directors									
Noel Quinn[2]	151.7%	353.7%	20.2%	1.7%	-48.9%	99.0%	3.2%	25.3%	36.1%
Ewen Stevenson (retired on 31 December 2022)	2.6%	-25.0%	-58.4%	1.8%	-75.0%	117.3%	3.2%	133.3%	11.6%
Non-executive Directors[3]									
Kathleen Casey (retired on 24 April 2020)	-65.0%	200.0%	–	–	–	–	–	–	–
Laura Cha (retired on 28 May 2021)[4]	97.0%	–	–	-58.8%	–	–	–	–	–
Henri de Castries (retired on 28 May 2021)[4,5]	4.1%	-75.0%	–	-59.4%	2,100.0%	–	–	–	–
Rachel Duan[6]	–	–	–	–	–	–	235.8%	–	–
Dame Carolyn Fairbairn[7]	–	–	–	–	–	–	231.1%	–	–
James Forese[8]	–	–	–	257.5%	–	–	20.5%	–	–
Steven Guggenheimer[9]	–	–	–	86.6%	–	–	4.8%	–	–
Irene Lee (retired on 29 April 2022)	20.3%	-100.0%	–	1.8%	–	–	-12.2%	–	–
José Antonio Meade Kuribreña[10]	28.7%	100.0%	–	10.4%	-100.0%	–	8.5%	–	–
Pauline van der Meer Mohr (retired on 29 April 2022)[10]	17.7%	-75.0%	–	-6.7%	-100.0%	–	-68.4%	–	–
Heidi Miller (retired on 28 May 2021)[4,5]	1.1%	-100.0%	–	-60.3%	171.4%	–	–	–	–
Eileen Murray[7]	–	–	–	121.7%	–	–	-1.5%	–	–
David Nish	108.7%	-50.0%	–	0.4%	25.0%	–	-1.0%	120.0%	–
Sir Jonathan Symonds (retired on 18 February 2020)	-86.5%	-4.8%	–	–	–	–	–	–	–
Jackson Tai[10]	-10.8%	-78.9%	–	-1.4%	-100.0%	–	7.7%	–	–
Mark Tucker	–	-77.5%	–	–	-36.5%	–	–	242.4%	–
Employee group[11]	**2.0%**	**2.3%**	**-20.0%**	**1.0%**	**1.3%**	**25.2%**	**3.1%**	**7.0%**	**3.7%**

1 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.

2 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.

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 291 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 Appointed as member of the Group Audit Committee on 1 June 2022.

7 Appointed as Chair of the Group Remuneration Committee effective 29 April 2022.

8 Appointed as non-executive Chair of HSBC North America Holdings, Inc in 2021. Fees for 2021 included fees in relation to this role.

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

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

11 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.

Policy alignment with UK Corporate Governance Code

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. • 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 in our shareholder approved policy report (available in our *Annual Report and Accounts 2021*) 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, which is assessed by reference to the HSBC Values. • 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.

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 2022 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	12.0	2.0	18.9	1,203.1
	Total fixed pay ($m)	6.4	6.3	43.6	656.8
	of which: cash-based ($m)[1]	*6.4*	*2.9*	*43.6*	*656.8*
	of which: shares or equivalent ownership interests ($m)[2]	—	*3.4*	—	—
	of which: share-linked instruments or equivalent non-cash instruments ($m)	—	—	—	—
	of which: other instruments ($m)	—	—	—	—
	of which: other forms ($m)	—	—	—	—
Variable remuneration[3]	Number of identified staff	12.0	2.0	18.9	1,203.1
	Total variable remuneration ($m)[4,5]	—	11.0	65.4	641.0
	of which: cash-based ($m)	—	*1.6*	*30.0*	*321.0*
	– of which: deferred ($m)	—	—	*17.9*	*151.9*
	of which: shares or equivalent ownership interests ($m)[2]	—	*9.4*	*35.4*	*305.9*
	– of which: deferred ($m)	—	*7.8*	*23.3*	*170.0*
	of which: share-linked instruments or equivalent non-cash instruments ($m)	—	—	—	*8.7*
	– of which: deferred ($m)	—	—	—	*4.7*
	of which: other instruments ($m)	—	—	—	—
	– of which: deferred ($m)	—	—	—	—
	of which: other forms ($m)	—	—	—	*5.4*
	– of which: deferred ($m)	—	—	—	*3.3*
Total remuneration ($m)		6.4	17.3	109.0	1,297.8

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 2022. 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 7 individuals for the purpose of calculating the ratio between fixed and variable components of 2022 total remuneration.
5 27 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 $6.2m, of which $5.1m is fixed pay and $1.1m 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 ($m)	—	—	—	—
Severance payments awarded during the financial year[2]				
Number of identified staff	—	—	—	59.8
Total amount ($m)	—	—	—	26.9
– of which paid during the financial year ($m)	—	—	—	*21.1*
– of which deferred ($m)	—	—	—	—
– of which severance payments paid during the financial year, that are not taken into account in the bonus cap ($m)	—	—	—	*26.9*
– of which highest payment that has been awarded to a single person ($m)	—	—	—	*2.2*

1 No guaranteed variable remuneration was awarded in 2022. 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 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	31.1	*2.6*	*28.5*	-2.4	—	1.9	2.7	1.0
Cash-based	2.9	*0.5*	*2.4*	—	—	—	0.5	—
Shares	28.2	*2.1*	*26.1*	-2.4	—	1.9	2.2	1.0
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other senior management	114.3	*15.7*	*98.6*	—	—	3.0	16.0	3.0
Cash-based	43.3	*6.4*	*36.9*	—	—	—	6.5	—
Shares	70.0	*8.5*	*61.5*	—	—	2.9	8.7	2.7
Share-linked instruments	1.0	*0.8*	*0.2*	—	—	0.1	0.8	0.3
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other identified staff	853.1	*232.5*	*620.6*	—	—	21.6	235.4	38.1
Cash-based	359.1	*85.2*	*273.9*	—	—	—	86.0	—
Shares	474.2	*139.0*	*335.2*	—	—	21.6	142.1	34.9
Share-linked instruments	13.9	*5.4*	*8.5*	—	—	0.7	5.5	2.4
Other instruments	—	—	—	—	—	—	—	—
Other forms	5.9	*2.9*	*3.0*	—	—	-0.7	1.8	0.8
Total amount	998.5	*250.8*	*747.7*	-2.4	—	26.5	254.1	42.1

1 *This table provides details of balances and movements during performance year 2022. For details of variable pay awards granted for 2022, 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	246
€1,500,000 – 2,000,000	107
€2,000,000 – 2,500,000	48
€2,500,000 – 3,000,000	26
€3,000,000 – 3,500,000	12
€3,500,000 – 4,000,000	8
€4,000,000 – 4,500,000	7
€4,500,000 – 5,000,000	5
€5,000,000 – 6,000,000	6
€6,000,000 – 7,000,000	2
€7,000,000 – 8,000,000	3
€8,000,000 – 9,000,000	1
€9,000,000 – 10,000,000	1
€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										**1,236.0**
– *of which members of the Board*	***12.0***	***2.0***	***14.0***							
– *of which senior management*				***2.0***	***2.0***	***—***	***6.9***	***2.0***	***6.0***	
– *of which other identified staff*				***548.5***	***228.0***	***32.0***	***151.0***	***172.0***	***71.6***	
Total remuneration of identified staff ($m)	**6.4**	**17.3**	**23.7**	**704.8**	**225.2**	**40.5**	**189.0**	**123.8**	**123.5**	
– *of which variable remuneration ($m)*[1]	***—***	***11.0***	***11.0***	***368.6***	***107.6***	***21.0***	***92.4***	***53.9***	***62.9***	
– *of which fixed remuneration ($m)*	***6.4***	***6.3***	***12.7***	***336.2***	***117.6***	***19.5***	***96.6***	***69.9***	***60.6***	

1 *Variable pay awarded in respect of 2022. 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 2022 are set out below:

Emoluments

	Noel Quinn		Ewen Stevenson		Non-executive Directors[1]	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Directors' base salary, allowances and benefits in kind	**3,367**	3,283	**1,994**	1,933		
Non-executive Directors' fees and benefits in kind					**5,242**	4,680
Pension contributions	**—**	—	**—**	—	**—**	—
Performance-related pay paid or receivable[2]	**6,439**	5,721	**1,091**	3,388	**—**	—
Inducements to join paid or receivable	**—**	—	**1,180**	754	**—**	—
Compensation for loss of office	**—**	—	**—**	—	**—**	—
Notional return on deferred cash	**31**	22	**—**	—	**—**	—
Total	**9,837**	9,026	**4,265**	6,075	**5,242**	4,680
Total ($000)	**12,113**	12,414	**5,252**	8,356	**6,455**	5,763

1 *Fees and benefits in kind for 2021 reflects the population as per the single figure table for non-executive Directors, which excludes individuals who have stepped down from the Board during 2021.*
2 *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 2022 was $23,820,419. 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 £6,706 ($8,258), Stuart Gulliver valued at £6,706 ($8,258), John Flint valued at £9,996 ($12,309), and Marc Moses valued at £15,851 ($19,519). Tax return support was also provided to John Flint valued at £5,441 ($6,700), and Marc Moses valued at £2,500 ($3,079). The total aggregate value of benefits provided to former executive Directors was £47,200 ($58,123). 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 $405,660. The provision at 31 December 2022 in respect of unfunded pension obligations to former Directors amounted to $5,387,659. 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 2022, or for the period of appointment in 2022 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	**13,404**	**41,639**
Pension contributions	**99**	**611**
Performance-related pay paid or receivable[1]	**23,237**	**56,616**
Inducements to join paid or receivable	**—**	**—**
Compensation for loss of office	**—**	**—**
Total	**36,740**	**98,866**
Total ($000)	**45,242**	**121,745**

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
$10,500,001 – $11,000,000	$1,340,909 – $1,404,762	–	1
$19,500,001 – $20,000,000	$2,490,259 – $2,554,112	–	1
$24,000,001 – $24,500,000	$3,064,935 – $3,128,787	–	1
$25,500,001 – $26,000,000	$3,256,493 – $3,320,346	–	1
$29,500,001 – $30,000,000	$3,767,315 – $3,831,168	–	1
$39,500,001 – $40,000,000	$5,044,371 – $5,108,224	–	1
$41,000,001 – $41,500,000	$5,235,930 – $5,299,782	–	1
$44,000,001 – $44,500,000	$5,619,047 – $5,682,899	–	1
$44,500,001 – $45,000,000	$5,682,899 – $5,746,752	–	1
$45,500,001 – $46,000,000	$5,810,605 – $5,874,458	–	1
$52,500,001 – $53,000,000	$6,704,544 – $6,768,397	–	1
$53,000,001 – $53,500,000	$6,768,397 – $6,832,250	–	1
$55,500,001 – $56,000,000	$7,087,661 – $7,151,514	–	1
$56,500,001 – $57,000,000	$7,215,367 – $7,279,219	–	1
$60,500,001 – $61,000,000	$7,726,189 – $7,790,042	–	1
$61,000,001 – $61,500,000	$7,790,042 – $7,853,894	–	1
$64,000,001 – $64,500,000	$8,173,158 – $8,237,011	1	1
$69,000,001 – $69,500,000	$8,811,686 – $8,875,539	1	1
$76,000,001 – $76,500,000	$9,705,626 – $9,769,478	1	1
$82,500,001 – $83,000,000	$10,535,712 – $10,599,565	1	1
$135,000,001 – $135,500,000	$17,240,256 – $17,304,109	1	1

Share capital and other related disclosures

Share buy-back programme

On 20 April 2022, HSBC Holdings concluded a share buy-back programme of its ordinary shares of $0.50 each that had been announced in October 2021. Under this buy-back programme in 2022, a total of 191,466,093 ordinary shares were repurchased for cancellation on UK trading venues, including the London Stock Exchange, BATS, Chi-X, Turquoise and/or Aquis Exchange.

On 3 May 2022, HSBC Holdings commenced a further share buy-back programme of its ordinary shares of $0.50 each up to a maximum consideration of $1.0bn. This programme concluded on 28 July 2022, with 86,606,357 ordinary shares repurchased for cancellation on the UK trading venues and 70,066,800 ordinary shares repurchased for cancellation on The Stock Exchange of Hong Kong Limited ('HKEx').

The purpose of both buy-back programmes was to reduce HSBC's number of outstanding ordinary shares.

As at 31 December 2022, the total number of ordinary shares purchased and cancelled during the year was 348,139,250, representing a nominal value of $174,069,625 and an aggregate consideration paid by HSBC of £1,426,598,865 on the UK trading venues and HK$3,514,580,618 on the HKEx. The shares cancelled represent 1.72% of the shares in issue and 1.74% 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 2022.

First share buy-back on UK trading venues in 2022	Number of shares purchased and cancelled	Highest price paid per share £	Lowest price paid per share £	Average price paid per share £	Aggregate price paid £
Month shares cancelled					
Jan-22	**25,382,519**	**5.2700**	**4.4555**	**4.9784**	**126,363,981**
Feb-22	**19,064,151**	**5.5510**	**5.1530**	**5.3395**	**101,793,492**
Mar-22	**72,125,062**	**5.4040**	**4.4935**	**4.9129**	**354,343,000**
Apr-22	**74,894,361**	**5.4100**	**5.1460**	**5.2608**	**394,002,122**
Total	**191,466,093**				**976,502,595**

Second share buy-back on UK trading venues in 2022	Number of shares purchased and cancelled	Highest price paid per share £	Lowest price paid per share £	Average price paid per share £	Aggregate price paid £
Month shares cancelled					
May-22	**21,447,447**	**5.2700**	**4.7800**	**4.9911**	**107,047,291**
Jun-22	**31,082,904**	**5.4960**	**4.9780**	**5.2729**	**163,897,398**
Jul-22	**33,126,211**	**5.5530**	**5.0840**	**5.2598**	**174,235,941**
Aug-22	**949,795**	**5.2170**	**5.1230**	**5.1755**	**4,915,640**
Total	**86,606,357**				**450,096,270**

Second share buy-back on HKEx in 2022	Number of shares purchased and cancelled	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Average price paid per share (HK$)	Aggregate price paid (HK$)
Month shares purchased					
May-22	**5,244,800**	**52.8500**	**46.5000**	**50.8537**	**266,717,438**
Jun-22	**31,582,400**	**52.7000**	**48.2500**	**50.8657**	**1,606,461,400**
Jul-22	**33,239,600**	**52.3000**	**47.4000**	**49.3809**	**1,641,401,780**
Total	**70,066,800**				**3,514,580,618**

Dividends

Dividends for 2022

An interim dividend of $0.09 for the 2022 half-year was paid on 29 September 2022. For further details of the dividends approved in 2022, see Note 8 on the financial statements.

On 21 February 2023, the Directors approved a second interim dividend for 2022 of $0.23 per ordinary share, making a total of $0.32 for the 2022 full-year. The second interim dividend for 2022 will be payable on 27 April 2023 in cash in US dollars, or in sterling or Hong Kong dollars at exchange rates to be determined on 17 April 2023. As the second interim dividend for 2022 was approved after 31 December 2022, it has not been included in the balance sheet of HSBC as a liability. The distributable reserves of HSBC Holdings at 31 December 2022 were $35.2bn.

A quarterly dividend of £0.01 per Series A sterling preference share was paid on 15 March, 15 June, 15 September and 15 December 2022.

Dividends for 2023

The Group intends to pay quarterly dividends during 2023.

A dividend of £0.01 per Series A sterling preference share was approved on 21 February 2023 for payment on 15 March 2023.

Share capital

Issued share capital

The nominal value of HSBC Holdings' issued share capital paid up at 31 December 2022 was $10,146,803,705 divided into 20,293,607,410 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 2022.

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 418.

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 2022 was $10.7m.

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 2021 and 2022 may be found in Note 8 on the financial statements on page 359.

Further details of the rights and obligations attaching to the HSBC Holdings' issued share capital may be found in Note 32 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 2022

In addition to the share buy-back programme, 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[1]

	HSBC Holdings ordinary shares issued	Aggregate nominal value	Market value per share	
			from	to
		$	£	£
HSBC International Employee Share Purchase Plan	234,830	117,415	4.9385	5.1

1 *In respect of the HSBC Holdings Savings Related Share Option Plan (UK), no new shares were issued under this plan. All exercises were satisfied by market purchased shares. See page 309 for details of options granted, exercised and lapsed.*

HSBC share plans

	HSBC Holdings ordinary shares issued	Aggregate nominal value	Market value per share	
			from	to
		$	£	£
Vesting of awards under the HSBC Share Plan 2011	9,991,391	4,995,696	4.789	5.498

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

At the AGM in 2022, shareholders renewed the general authority for the Directors to allot new shares up to 13,475,996,328 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 2,021,399,449 ordinary shares. The Directors exercised their market purchase authority from both the 2021 and 2022 AGMs and purchased 348,139,250 ordinary shares during the year.

In addition, shareholders gave authority for the Directors to grant rights to subscribe for, or to convert any security into, no more than 4,042,798,898 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 32 on the financial statements.

Other than as disclosed in the tables above headed 'Share capital changes in 2022', the Directors did not allot any shares during 2022.

Debt securities

In 2022, HSBC Holdings issued the equivalent of $25.4bn of debt securities in the public capital markets in a range of currencies and maturities in the form of senior and subordinated 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 29 and 32 on pages 393 and 402.

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 2022, 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 2022, representing 1.60% of the shares in issue as at 31 December 2022. The nominal value of shares held in treasury was $162,636,704.

Notifiable interests in share capital

During 2022, 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 ('Rule 5 of the DTRs').

On 13 February 2023, pursuant to Rule 5 of the DTRs, Norges Bank gave notice that on 10 February 2023 it had the following: a direct interest in HSBC Holdings ordinary shares of 598,657,162; and qualifying financial instruments with 9,249,895 voting rights that may be acquired if the instruments are exercised or converted, representing 2.998% and 0.046% respectively, of the total voting rights at that date.

No further notifications had been received between 31 December 2022 and 15 February 2023. 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 2022, 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 9 March 2022 that on 4 March 2022 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,701,656,169 shares and a short position of 19,262,061 shares, representing 8.27% and 0.09%, 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.

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 2022 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, and purchases by HSBC Holdings under the share buy-back programme, 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 2022.

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 2022 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 2022 or date of cessation, if earlier				
	At 1 Jan 2022, or date of appointment, if later	Beneficial owner	Child under 18 or spouse	Jointly with another person	Trustee	Total interests
HSBC Holdings ordinary shares						
Geraldine Buckingham[1] (appointed to the Board on 1 May 2022)	—	15,000	—	—	—	15,000
Rachel Duan[1]	—	15,000	—	—	—	15,000
Dame Carolyn Fairbairn	—	15,000	—	—	—	15,000
James Forese[1]	115,000	115,000	—	—	—	115,000
Steven Guggenheimer[1]	15,000	—	—	15,000	—	15,000
Irene Lee (retired on 29 Apr 2022)	15,000	15,000	—	—	—	15,000
José Antonio Meade Kuribreña[1]	15,000	15,000	—	—	—	15,000
Eileen Murray[1]	75,000	75,000	—	—	—	75,000
David Nish	50,000	—	50,000	—	—	50,000
Noel Quinn[2]	1,131,278	1,422,650	—	—	—	1,422,650
Ewen Stevenson[2]	838,154	1,064,626	—	—	—	1,064,626
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 (retired on 29 Apr 2022)	15,000	15,000	—	—	—	15,000

1 *Geraldine Buckingham has an interest in 3,000, Rachel Duan has an interest in 3,000, 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, 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 276. At 31 December 2022, 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 – 3,940,314; and Ewen Stevenson – 3,135,841. Each Director's total interests represents approximately 0.02% of the shares in issue and 0.02% 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 2022 to the date of this report.

Listing Rule 9.8.4 and other disclosures

This section of the *Annual Report and Accounts 2022* 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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Board governance

Appointment and re-election of Directors

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 Board may at any time appoint any person as a Director or secretary, either to fill a vacancy or as an additional officer. The Board may appoint any Director or secretary 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, with any individual's appointment beyond six years to be for a rolling one-year term and subject to thorough review and challenge with reference to the needs of the Board. Where Directors are appointed beyond six years, an explanation is 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 2022 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 2023 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 a non-executive Director serving on the Board and as a member of any committee is no more than 75 days per annum. Directors who also chair a large committee are expected to commit up to 100 days per annum with the Senior Independent Director expected to serve an additional 30 days per annum. The time commitment of the Group Risk Committee chair is up to 150 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 their total time commitments and potential conflicts of interest.

Conflicts of interest

The Board has an established policy and set of procedures, reviewed and amended in 2022, to ensure that the Board's management of Directors' conflicts of interest is effective. 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. As part of its 2022 review, the Board agreed that responsibility for the ongoing review of the conflicts register be conducted by the Board, having previously been overseen 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 each 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 its conflicts policy and procedures. All non-executive Directors are re-vetted by the compliance team every three years following appointment and as part of such process all conflicts checks are refreshed.

Joint Company Secretary

Aileen Taylor is the Group Company Secretary and Chief Governance Officer.

In addition to being appointed as Deputy Group Secretary in December 2021, for administrative purposes, Hannah Ashdown (46) was also appointed in October 2022 as Joint Company Secretary. She is a Fellow of the Chartered Governance Institute UK and Ireland. Hannah has over 20 years' governance and regulatory experience across multiple sectors including financial services, asset management, energy, leisure and retail.

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 2022, from the date of their appointment). The deed poll is available for inspection at the registered office of HSBC Holdings.

Additionally, Directors and pension trustees have the benefit of both Directors' and officers', and pension trustees', liability insurances.

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 2022, 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 and communication

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.

As set out in the Section 172(1) statement on page 20, the Board seeks to understand investor needs through ongoing dialogue between members of the Board and institutional investors throughout the year. For examples of such engagement, see 'Board decision making and engagement with stakeholders' on page 20, the Board's engagement with shareholders on page 256 and the Group Remuneration Committee Chair's letter on page 276. During 2022, approximately 570 meetings were held with institutional investors and analysts globally.

Our shareholder communications policy summarises how we communicate with our shareholders, including through financial reporting, general shareholder meetings, investor and analyst meetings and our website. The policy is reviewed annually by the Board, and in 2022 the Board confirmed that it was satisfied with its implementation and effectiveness. The policy can be found at www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities.

We also publish our current and past financial results, investor presentations and shareholder information such as dividend payments and shareholder meeting details. Stock exchange announcements are also accessible on our website along with information for fixed income investors. For further details, see www.hsbc.com/investors.

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 2023 is planned to be held in Birmingham, UK at 11:00am on Friday, 5 May 2023. Information on how to vote and participate, both in advance and on the day, can be found in the Notice of the 2023 AGM, which will be sent to shareholders on 24 March 2023 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. Shareholders should monitor our website and announcements for any changes to these arrangements. 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 HSBC Holdings 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.

Articles of Association

New Articles of Association were approved at the 2022 AGM. The principal changes included updates and changes to articles on hybrid meetings, general meetings, untraceable shareholders, Director share qualification, Directors' reappointment, Directors' written resolutions, distribution in specie and dividend forfeiture. The Articles of Association can be found at www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities. For further details of the 2022 Notice of AGM, see www.hsbc.com/agm.

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 a voluntary Board Finance Committee, which consists of contributing eligible employees. The PACs recorded combined political donations of $100,250 during 2022 (2021: $15,500).

Charitable contributions

For details of charitable contributions, see page 84.

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 21 February 2023, the date of approval of the *Annual Report and Accounts 2022*.

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

Global Principles

The Group's Global Principles set an overarching standard for all 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 process to provide forward-looking views of issues with the potential to threaten the execution of our strategy or operations over the medium to long term.

We remain committed to investing in the reliability and resilience of our IT systems and critical services, including those provided by third parties, that support all parts of our business. We do so to help protect our customers, affiliates and counterparties, and to help ensure that we minimise any disruption to services that could result in reputational and regulatory consequences. In our approach to defend against these threats, we invest in business and technical controls to help us detect, manage and recover from issues, including data loss, in a timely manner.

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 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 2022, the GRC continued to focus on the oversight of risk transformation activities to strengthen our risk management capabilities and to develop a best-in-class Risk function. In 2023, the GRC will continue to focus on overseeing emerging risks and potential risks arising from new products and offerings.

The GRC and the GAC received assurance from executive management that a thorough risk assessment had been undertaken and controls were in place to mitigate the risks arising from the Group's key activities. Necessary actions will be taken to remedy any failings or weaknesses identified from these activities.

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 2022. In 2014, the GAC endorsed the adoption of the principles of the Committee of Sponsoring Organizations of the Treadway Commission ('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 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 of HSBC's approach to risk management can be found on page 132. 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.

Group Disclosure and Controls Committee

Chaired by the Group Chief Financial Officer, the Group Disclosure and Controls 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 Group Disclosure and Controls 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 Group Disclosure and Controls Committee consists of senior management, including the Group Chief Financial Officer, Group Chief Risk and Compliance 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 Group 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 2022*.

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 2022, 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.

Other information included in the Annual Report and Accounts 2022

We include other non-statutory information in the *Annual Report and Accounts* to enable a broader perspective of our performance for the period, including ESG and regulatory capital and liquidity information. We highlight on pages 14 and 264 that we are seeking to enhance our governance, process, systems and controls in both areas, although the scale and nature of the challenges differ between reporting areas. Our improvements in regulatory reporting are to ensure this reporting is produced to a comparable standard of control as our financial reporting. ESG reporting is fast evolving, with few globally consistent reporting standards and a high reliance on external data. The GAC provides oversight to our reporting improvements in both areas, and is also focused on increasing the level of internal and external assurance in these areas, in line with wider market developments (set out on page 264).

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 42.

Employees

At 31 December 2022, HSBC had a total workforce equivalent to 219,000 full-time employees compared with 220,000 at the end of 2021. Our main centres of employment were India with approximately 39,000 employees, the UK with 33,000, mainland China with 32,000, Hong Kong with 27,000, Mexico with 17,000 and France with 6,000.

Our business spans many cultures, communities and continents. We aspire to provide a high-performing 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 employee surveys to assess progress and make changes. We want to provide an open culture, where our colleagues feel connected and supported to speak up, and where our leaders encourage and use feedback. Where we make organisational changes, we support our colleagues, 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 laws and regulations in the jurisdictions in which we operate, including in relation to working hours and rest periods. 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 stronger. We are dedicated to building a diverse and connected workforce where everyone feels a sense of belonging. In 2022, we introduced a social well-being index that measures the connectedness of our colleagues as we embrace hybrid working practices.

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 their best selves to work. 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.

We expect all colleagues at HSBC to 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, including those included in the Group executive scorecards, which enable us to pinpoint inclusion barriers and enable us to take action where required. Our approach to diversity and inclusion is set out on page 74 alongside our goals and progress.

Further details of our diversity and inclusion activity, alongside our Gender and Ethnicity Pay Gap Reports 2022, 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.

Everyone at HSBC annually completes 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 groups of colleagues 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 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.

Our 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. In 2022, we rolled the platform out to an additional 83,000 colleagues and we will continue the global roll-out in 2023.

Effective people management and impactful leadership remain critical to our ability to energise for growth. Following the success of our refreshed executive development curriculum in 2021, we launched a new programme for our Managing Director colleagues in 2022. 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 to ensure we are compliant with relevant laws and regulations.

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 2022 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, as well as reviewing and adjusting our risk control measures as government restrictions were lifted.
- We reinforced our advice and risk assessment and control methodology on working from home for employees adopting a hybrid work style, providing more awareness and best practices on good ergonomics and well-being.
- We delivered health and safety training and awareness to 240,000 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 2022 safety climate survey results showed that we continue to maintain a positive safety culture that is significantly above the industry average. A particular strength that the survey identified is our encouragement of colleagues to make suggestions on how to improve health and safety.
- We expanded our guidance and training programme for our construction partners, focusing on our key markets globally, to reduce the likelihood of accidents occurring by helping them understand and deliver industry-leading health and safety performance. More than 3,400 construction workers received safety passporting training across 20 countries.
- Our Eat Well Live Well programme continued educating and informing our colleagues on how to make healthy food and drink choices. Launched in 2019, and now live in 12 markets across all regions, the programme has helped to shift HSBC employee diets towards more sustainable choices, with a more than 50% rise in healthy food options being selected in our workplace catering outlets since launch. Furthermore, with digital health tools and over 50 healthy and plant-forward recipes created by chefs available online, employees are supported to continue to make healthy choices when away from the workplace.
- Protection of our colleagues and operations is of critical importance and we have effective controls in place to protect our people from natural disasters (such as storms and earthquakes). In 2022, there were 38 named storms that passed over 1,667 of our buildings, resulting in no injuries or material business impact.

Employee health and safety

	2022	2021	2020
Rate of workplace fatalities per 100,000 employees	**—**	—	—
Number of major injuries to employees[1]	**7**	14	15
All injury rate per 100,000 employees	**70**	64	88
Lost days due to work injury	**485**	358	449

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 292.

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 2022 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 287.

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 2022, 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 26 September 2022, the day before the options were granted and as derived from the Daily Official List, was £5.0160.

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 31 jurisdictions, although no options are granted under this plan.

During 2022, approximately 189,000 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 2022	during year[1]	during year[2]	during year	31 Dec 2022
		(£)	(£)							
22 Sep 2015	27 Sep 2022	2.6270	5.9640	1 Nov 2020	28 Apr 2028	**123,196,850**	**8,928,527**	**3,483,332**	**12,991,322**	**115,650,723**

1 *Options over HSBC ordinary shares granted in response to approximately 9,564 applications from HSBC employees in the UK on 27 September 2022.*
2 *The weighted average closing price of the shares immediately before the dates on which options were exercised was £5.0534.*

Statement of compliance

The statement of corporate governance practices set out on pages 239 to 311 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 ('HKEx'))	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 2022, save to the extent referred to in the next paragraph, HSBC complied with the provisions and requirements of both the UK and Hong Kong Corporate Governance Codes.

Dame Carolyn Fairbairn was appointed as Chair to the Group Remuneration Committee on 29 April 2022 and has been a member of such committee since September 2021. In approving Dame Carolyn Fairbairn's appointment, the Board considered the UK Corporate Governance Code expectation that the Chair has served at least 12 months as a member on the committee before assuming the position of Chair. Before her appointment she had served on the Group Remuneration Committee for eight months. However, given her previous experience as both a member and chair of the remuneration committees of other UK listed companies, the Board approved the appointment of Dame Carolyn Fairbairn as Chair.

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

21 February 2023

Directors’ responsibility statement

The Directors are responsible for preparing the *Annual Report and Accounts 2022*, 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 2022* 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 2022,* 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 240 to 243 of the *Annual Report and Accounts 2022*, 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 262 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

21 February 2023