

HSBC's approach to tax

Introduction

The UK Tax Strategy for HSBC Holdings plc and subsidiaries, as required under paragraph 16(2) of Schedule 19 FA2016, is set out below for the year ended 31 December 2025.

Approach to Tax Risk Management

HSBC seeks to apply the spirit and the letter of applicable law in all territories where we operate. We have adopted the UK Code of Practice for the Taxation of Banks. Tax risk is managed in accordance with HSBC's Risk Management Framework ("RMF").

Our risk appetite, policies, taxonomy, and approach to conduct for tax-related risks all follow the RMF. We have defined the following five key risks:

- **Tax Compliance** – Failure to comply with tax filing obligations, provision of required information, the withholding, charging or payment of tax or meeting the necessary criteria that confer tax-favoured status to products.
- **Transfer Pricing** – Failure to ensure arm's length pricing that fairly reflects the economic substance of transactions is consistently applied through agreed and documented methodologies.
- **HSBC Tax Avoidance** – HSBC gaining a tax advantage that, whilst compliant with the letter of applicable tax law, is not aligned with its intention or spirit.
- **Customer Tax Reporting** – Failure to meet the requirements of customer tax reporting (cross border and domestic).
- **Customer Tax Avoidance** – A customer gaining a tax advantage that whilst compliant with the letter of applicable tax law, is not aligned with its intention or spirit.

Tax Evasion risk is owned by the Risk & Compliance Function who are supported, as required, in the management of this risk by the Tax team.

HSBC manages the five key tax risks by:

- identifying risks and setting risk appetite, policies and guidelines for managing each of them;
- ensuring that the right control environments are in place, and operating effectively;
- providing support and guidance to staff to ensure appropriate understanding and active management of tax risks;
- Aggregating and analysing relevant data and reporting information to support decision-making, governance and oversight forums and timely escalations; and

- employing an experienced, professionally qualified in-house tax team to provide risk management advice and challenge. This in-house team is supported by external advisers as and when required.

Global Internal Audit is responsible for providing independent assurance around the effective management of tax risk.

Risk appetite in relation to taxation

HSBC aims to comply with the letter and spirit of all applicable tax regulations and deal with tax authorities in an open and transparent manner. We seek to maintain a control environment that is proportionate to the complexity and scale of the business and risk profile.

We aim to:

- File complete, accurate and timely tax returns and make timely and accurate payments;
- Minimise the number of tax disputes and operational losses; and
- Operate a robust and sustainable control environment to ensure the accurate production and submission of tax returns and payments, using a risk-based approach to focus on returns that present the highest inherent risk profile.

Risks outside of our appetite or tolerance include:

- Knowingly breaching tax laws or acting outside of the spirit of those laws;
- Using aggressive tax structures; and
- Assisting customers in inappropriately avoiding tax.

Recognising the complexity of both the organisation and regulatory landscape, it is accepted that reporting errors may occur. Where errors or issues are identified, these must be:

- Escalated and reported promptly, using the Risk Management Framework escalation and issue reporting guidelines.
- Investigated and resolved, with mitigating actions or controls implemented to avoid recurrence.

We have established processes to comply with the Pillar Two global minimum tax rules, which are designed to ensure that large multinational businesses pay tax at a minimum rate of 15% in each jurisdiction in which they operate. Work is ongoing preparing for the first statutory filing for the FY2024 return due in June 2026.

Tax Planning

HSBC will use tax incentives or opportunities for obtaining tax efficiencies where these:

- are aligned with the intended policy objectives of the relevant government; and
- are aligned with business or operational objectives.

We do not undertake transactions with the intention to abuse the tax system or otherwise employ tax avoidance strategies, for example by artificially diverting profits to low tax jurisdictions.

Approach to Dealings with Tax Authorities

We seek to maintain an open and transparent relationship with HMRC and other tax authorities by:

- keeping them informed of business activities and key developments as they arise;
- responding to their questions and enquiries in a timely manner;
- engaging on consultations relating to emerging legislation either directly or via industry bodies; and
- where possible, meeting with them regularly to maintain our relationship