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 contains the Report of the Directors and 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.

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 (66)
N

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.

External 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
- Member of Hong Kong's Chief Executive's Advisory Council on Economic Development
- Member of the Investment Advisory Council of the Supreme National Investment Committee of the Kingdom of Saudi Arabia
- Chairman of the Multinational Chairman's Group
- Director, Peterson Institute for International Economics
- Director, Institute of International Finance
- Asia Society Global Board of Trustees
- International Advisory Council of the China National Financial Regulatory Administration
- Hong Kong Academy of Finance International Council of Advisors
- Member of the Asia Global Institute
- International Business Leaders' Advisory Council to the Mayor of Beijing – Adviser to the Mayor
- International Business Leaders' Advisory Council to the Mayor of Shanghai – Adviser to the Mayor

Noel Quinn (62)
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.

External appointments:
- Independent non-executive Director of Sustainable Markets Initiative Limited and Chair of the Financial Services Task Force
- Principal member of the Glasgow Financial Alliance for Net Zero
- Member of the World Economic Forum's International Business Council
- Member of the World Bank Private Sector Investment Lab
- Member of the Advisory Board of the China Children Development Fund
- Founding member of CNBC ESG Council
- Member of the British Infrastructure Council

Georges Elhedery (49)
Group Chief Financial Officer
Appointed to the Board: January 2023

Skills and experience: Georges has over 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 initiatives, strategy 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

- Committee Chair
- A Group Audit Committee
- Ri Group Risk Committee
- R Group Remuneration Committee
- N 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 (46)

Ri R N

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.

External appointments:
– Independent non-executive Director of Brunswick Group Partnership Ltd
– Independent non-executive Director of H.R.L. Morrison & Co Limited
– Member of the Advisory Board of ClimateWorks Centre Australia
– Member of the Advisory Board of the McKinsey Health Institute

Rachel Duan (53)

A R N

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.

External 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 (63)

Ri R N

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, a member of the UK prime minister John Major's Number 10 Policy Unit, and as Director-General of the Confederation of British Industry, and held senior executive positions at the 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.

External appointments:
– Independent non-executive Director of Tesco plc
– Chair of Royal Mencap Society
– Honorary Fellow of Gonville and Caius College, Cambridge

James Forese (60)

A Ri N

Independent non-executive Director
Appointed to the Board: May 2020

Skills and experience: Jamie 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: Jamie 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.

External appointments:
- Non-executive Chair of HSBC North America Holdings Inc
- Non-executive Chairman of Global Bamboo Technologies

Ann Godbehere (68)

R N

Independent non-executive Director
Appointed to the Board: September 2023

Skills and experience: Ann brings deep financial acumen and extensive financial services experience over a 30-year career spanning insurance, retail and private banking, and wealth management. She also provides global perspectives, drawing upon experiences and insights gained from a long career in international business.

Career: After joining Swiss Re in 1996, Ann served as the company's Chief Financial Officer from 2003 to 2007. She was also Interim Chief Financial Officer of Northern Rock Bank from 2008 to 2009 in the period immediately after its nationalisation. Ann also has extensive board experience, including with FTSE 100 companies, having previously served as non-executive Director of Prudential plc, British American Tobacco plc, UBS AG, UBS Group AG and as Senior Independent non-executive Director of Rio Tinto plc and Rio Tinto Limited.

External appointments:
- Non-executive Director and Chair of the Audit Committee of Stellantis N.V.
- Non-executive Director and Chair of the Audit Committee of Shell plc

Steven Guggenheimer (58)

Ri N

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, including more than a decade as Corporate Vice President, where he led teams focused on original equipment manufacturers, developers and independent software vendors and artificial intelligence solutions.

External 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

Dr José Antonio Meade Kuribreña (54)

R N

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.

External 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

Kalpana Morparia (74)

Ri N

Independent non-executive Director
Appointed to the Board: March 2023

Skills and experience: Kalpana is a skilled business leader with significant experience gained through a 45-year career in banking across Asia, primarily in India.

Career: Kalpana's most recent executive role was as Chair of J.P. Morgan, South and Southeast Asia and a member of J.P. Morgan's Asia executive committee, which she held until her retirement in 2021. Before J.P. Morgan, she was the Joint Managing Director of ICICI Bank, India's second-largest bank, from 2001 to 2007.

External appointments:
– Independent non-executive Director of Hindustan Unilever Limited
– Independent non-executive Director of Dr. Reddy's Laboratories Ltd.
– Independent non-executive Director of Philip Morris International Inc
– Governing board member of the Bharti Foundation
– Governing board member of Foundation for Audit Quality
– Governing board member of the Generation India Foundation
– Governing council member of Krea University

Eileen Murray (65)

A R N

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.

External appointments:
– Independent non-executive Director of Guardian Life Insurance Company of America
– Independent non-executive Director of Broadridge Financial Solutions, Inc
– Member of the Advisory Board of Mobilize Capital Partners

Brendan Nelson (74)

A Ri N

Independent non-executive Director

Appointed to the Board: September 2023

Skills and experience: Brendan brings UK and international financial and auditing expertise, and significant experience in auditing and as audit committee chair of UK-listed companies.

Career: Brendan spent over 25 years as a partner at KPMG LLP, served on the board from 2000 and as Vice Chairman from 2006, until his retirement in 2010. Internationally, he held various senior positions including Global Chairman of the financial services practice. Subsequently, Brendan joined the boards of bp plc and NatWest Group plc where he also served as Chairman of both companies' audit committees. During his career, Brendan was President of the Institute of Chartered Accountants of Scotland, a member of the Financial Reporting Review Panel and a member of the Financial Services Authority's Practitioner Panel. As current Chairman of the Board of BP Pension Fund Trustees Ltd, Brendan has received training in ESG considerations for investment decisions and helped set an ambition to be net zero in terms of greenhouse gas emissions from investments by 2050.

External appointments:
– Chairman of BP Pension Trustees Ltd

David Nish (63)

A Ri N

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.

External appointments:
– Senior Independent non-executive Director of Vodafone Group plc and Chairman of the Audit and Risk Committee
– Honorary Professor of University of Dundee Business School

Swee Lian Teo (64)

Ri N

Independent non-executive Director

Appointed to the Board: October 2023

Skills and experience: Swee Lian brings extensive experience within the international financial services industry, having previously spent over 27 years with the Monetary Authority of Singapore ('MAS').

Career: During Swee Lian's time at the MAS, she worked in foreign reserves management, financial sector development, strategic planning and financial supervision, before she became the Deputy Managing Director for Financial Supervision. She retired from the MAS in 2015 after serving as Special Advisor, focused on MAS's role in the international regulatory framework, in the Managing Director's office. Swee Lian previously served as a non-executive Director on the boards of AIA Group Limited and the Dubai Financial Services Authority.

External appointments:
– Non-executive Director of Singapore Telecommunications Limited and Chair of the Risk Committee
– Non-executive Director of Avanda Investment Management Pte Ltd
– Director of Clifford Capital Pte Ltd
– Director of Clifford Capital Holdings Pte Ltd
– Chair of CapitaLand Integrated Commercial Trust Management Limited.

Aileen Taylor (51)

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

Jackson Tai

Jackson Tai retired from the Board on 5 May 2023

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 (55)
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 the Royal Bank of Scotland Group for six years in the aftermath of the global financial crisis. She has held a number of human resources roles throughout her career in financial services, including Head of Human Resources for 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 (56)
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, having previously held the role of Group Chief Compliance Officer. He is also a Director of HSBC Bank (Singapore) Limited. 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 operational tours of Iraq and Northern Ireland, and roles in the Ministry of Defence and NATO.

Jonathan Calvert-Davies (55)
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 over 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 (60)
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 (46)
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 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 (53)
Group Chief Operating Officer

John became Group Chief Operating Officer in February 2020, having joined HSBC in December 2019. He is Chairman of HSBC Global Services Limited and a Director of HSBC Innovation Bank Limited. 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 (59)
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 (50)
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 (60)
Group Chief Risk and Compliance Officer

Pam was appointed Group Chief Risk and Compliance Officer in 2021, having been Group Chief Risk Officer since 2020. She is a Director of the Hongkong and Shanghai Banking Corporation Limited. Since joining HSBC in 2013, her roles included Group Head of Internal Audit and Head of Wholesale Market and Credit Risk. Since qualifying as a chartered accountant with Ernst & Young, Pam held various senior audit, compliance, finance and operations roles with Deutsche Bank, the Royal Bank of Scotland Group, Lloyds TSB and Citigroup. She serves as a non-executive Director of abrdn plc.

David Liao (51)
Co-Chief Executive, The Hongkong and Shanghai Banking Corporation Limited

David was appointed Co-Chief Executive of the Asia-Pacific region in 2021. He is also a Director of the 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 (56)
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 the Chairman of MP Payments Group Limited.

Stephen Moss (57)
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 Saudi Awwal Bank.

Barry O'Byrne (48)
Chief Executive Officer, Global Commercial Banking

Barry was appointed Chief Executive Officer 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 239 and 243.

Michael Roberts (63)
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 (55)
Co-Chief Executive, The Hongkong and Shanghai Banking Corporation Limited

Surendra was appointed Co-Chief Executive 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) (60)
Chief Executive Officer, HSBC UK Bank plc

Ian has been Chief Executive Officer of HSBC UK Bank plc since 2017, having joined HSBC as Head of Commercial Banking in the UK and Europe in 2014. He has worked in financial services for over 40 years, previously holding roles at the Royal Bank of Scotland Group and Barclays. Ian holds an Honorary Masters and Honorary Doctorate degree for his services to the banking sector. He is a member of the UK Finance Board, the UK Investment Council and a business ambassador for Meningitis Now.

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.

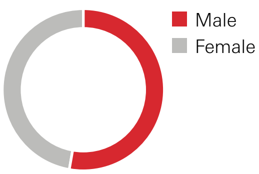
This section outlines the key diversity and inclusion metrics for Board members and executive management as at 31 December 2023. This includes tenure, age, skills and experience, as well as gender and ethnic representation.

Gender and ethnic diversity

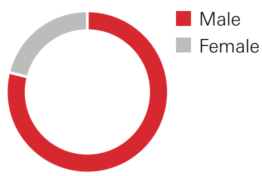
The Financial Conduct Authority requires all listed companies to publish in their *Annual Report and Accounts* information on female and ethnic heritage representation on the Board and in senior management. The tables below outline the current gender and ethnic diversity of the HSBC Holdings Board and executive management reflecting data gathered through self-identification.

Gender

Board



Executive management



	Board members		Number of	Executive management[2]	
	Number	%	senior positions[1]	Number	%
Male	8	53	4	15	79
Female	7	47	0	4	21
Other	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Ethnic diversity

Board

Executive management

	Board members		Number of	Executive management[2]	
	Number	%	senior positions[1]	Number	%
White British or other White (including minority-White groups)	10	67	4	13	69
Mixed/multiple ethnic groups	–	–	–	1	5
Asian/Asian British	3	20	–	3	16
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic groups, including Arab	2	13	–	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.

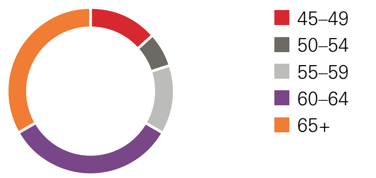
Board composition, tenure and age

2
Executive Directors

13
Non-executive Directors

Tenure[1]

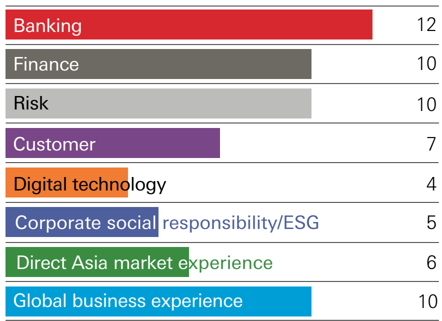
Age



1 Tenure of a non-executive Director is calculated by reference to the date of their election by shareholders following their appointment.

Skills and experience

The summary below provides an overview of the skills and experiences held by the non-executive Directors on the Board. This is based on the current skills matrix, which is reviewed annually by the Nomination & Corporate Governance Committee to ensure that the Board has the skills and experience required to effectively discharge its duties and to support succession planning discussions. The skills and experiences of the newly appointed non-executive Directors are also included in the below extract.



Corporate governance

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.

Board and executive governance

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 and standards;
- 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;
- ensuring effective engagement with, and encouraging participation from, shareholders and other key stakeholders;
- approving the appointment and remuneration of Directors, including Board roles;
- reviewing the Group's overall corporate governance arrangements; and
- providing entrepreneurial leadership of the Group within a framework of prudent and effective controls.

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 262. 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 2023, the Board comprised the Group Chairman, 12 non-executive Directors, and two executive Directors who are the Group Chief Executive and the Group Chief Financial Officer. As previously announced, David Nish will not stand for re-election at the Annual General Meeting ('AGM') on 3 May 2024.

For further details of Board members' career backgrounds, skills, experience and external appointments, see their biographies on page 239, 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 nine times a year. In 2023, the Board held 11 meetings. For further details on attendance at those meetings, see page 249. 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 matters considered and shareholder engagement' on page 254.

The Group Company Secretary and Chief Governance Officer, the Group Chief Risk and Compliance Officer and the Group Chief Legal Officer are regular attendees at Board meetings. The non-executive Chairman of The Hongkong and Shanghai Banking Corporation Limited is also a regular attendee at most Board meetings. The chief executive officers of the three global businesses attend Board strategy discussions, and other senior executives attend Board meetings for specific items as required.

In addition, as agreed by the Board, the Board Oversight Sub-Group is called on an ad hoc basis where necessary. Such meetings are an informal mechanism for a smaller group of Board members and management to discuss emerging issues and upcoming Board matters. The Board Oversight Sub-Group was not convened in 2023.

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 2023. 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 2023[1]	Responsibilities
Group Chairman Mark E Tucker[2,3]	12/12	– Provides effective leadership of the Board and promotes the highest standards of corporate governance practices. – Leads the Board in providing strong strategic oversight and setting the Board's agenda, culture and values. – Leads the Board in challenging management's thinking and proposals, and fosters open and constructive debate among Directors. – Maintains 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[3]	12/12	– Leads and directs the implementation of the Group's business strategy, embedding the organisation's culture and values. – Leads the Group Executive Committee with responsibility for the day-to-day operations of the Group, under authority delegated to him from the Board. – Maintains relationships with key internal and external stakeholders including the Group Chairman, the Board, 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** Georges Elhedery[3,4]	12/12	– Supports the Group Chief Executive in developing and implementing the Group strategy, and recommends the annual budget and long-term strategic and financial resource plan. – Leads the Finance function and is responsible for effective financial and regulatory 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[3,5,6]	10/12	– Supports the Group Chairman, acting as intermediary for non-executive Directors when necessary. – Leads the non-executive Directors in the oversight of the Group Chairman, supporting the clear division of responsibility between the Group Chairman and the Group Chief Executive. – Listens to shareholders' views if they have concerns that cannot be resolved through the normal channels.
Non-executive Directors		– Develop and approve the Group strategy. – Challenge and oversee the performance of management in achieving agreed corporate goals and objectives. – 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]	12/12	
Rachel Duan[3,5]	12/12	
Dame Carolyn Fairbairn[3,5,6]	10/12	
James Forese[3,5]	12/12	
Ann Godbehere[4,5]	3/3	
Steven Guggenheimer[3,5,6]	11/12	
Dr José Antonio Meade Kuribreña[3,5,7]	12/12	
Kalpana Morparia[3,4,5]	10/10	
Eileen Murray[3,5,6]	11/12	
Brendan Nelson[4,5]	3/3	
Jackson Tai[3,5,6,8]	6/7	
Swee Lian Teo[4,5]	2/2	
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 total number of meetings comprised nine scheduled meetings, two ad hoc meetings and the AGM.
2 The non-executive Group Chairman was considered to be independent on appointment.
3 Attended the AGM on 5 May 2023.
4 Georges Elhedery joined the Board effective 1 January 2023. Kalpana Morparia joined the Board effective 1 March 2023. Ann Godbehere and Brendan Nelson joined the Board effective 1 September 2023. Swee Lian Teo joined the Board effective 1 October 2023.
5 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.
6 Meetings held on 9 March 2023, 16 March 2023 and 8 November 2023 were called at short notice. Due to prior commitments Dame Carolyn Fairbairn was unable to attend on 9 March 2023, David Nish, Jackson Tai and Dame Carolyn Fairbairn were unable to attend on 16 March 2023, and David Nish and Steven Guggenheimer were unable to attend on 8 November 2023. Due to prior commitments Eileen Murray was unable to attend the Board meeting in September 2023.
7 Dr José Antonio Meade Kuribreña was appointed as the independent non-executive Director with responsibility for workforce engagement on 1 June 2022. Further information can be found on page 257.
8 Jackson Tai retired from the Board on 5 May 2023.

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 and regions, as well as functional heads. For further details of the senior management team, see page 244.

All Directors are encouraged to have contact with management at all levels, and have full access to all relevant information. Visits to local business operations and meetings with local management are arranged for the non-executive Directors when they attend Board meetings in different locations, and when travelling for other reasons. Senior management often attend alongside Directors' stakeholder engagements (see 'Board decision making and engagement with stakeholders' on page 20). The workforce engagement non-executive Director attends the GEC on occasion to provide senior management with updates on workforce engagements carried out by the Board, including relevant Board observations. For further details, see 'Board stakeholder and workforce engagement' on page 257.

Executive governance

The GEC promotes the tone from the top, set by the Board, across the organisation. This helps to ensure that our colleagues follow our values, and foster a culture that delivers against our purpose of opening up a world of opportunity. At its meetings, the GEC dedicates time to reflect on our purpose and values and how they are demonstrated in the day-to-day course of business.

During 2023, the GEC undertook an extensive review of the Group's strategy with a view to building upon its unique strengths. For further details of our strategy, see page 11.

The GEC has led and overseen the delivery of a number of strategic projects to simplify how we get things done, by identifying operating efficiencies, reducing complexity and optimising costs. The GEC will continue to focus on simplification throughout 2024.

The GEC's operating rhythm helps to facilitate end-to-end governance between senior leadership and the Board.

The operating rhythm has the following three pillars:

- regular check-in meetings to review and discuss current and emerging trends and issues;
- a monthly meeting to review the performance of each of the global businesses in principal geographical areas and legal entities, supported by the development and introduction of a new key performance indicators architecture in 2023; and
- a strategy- and governance-focused meeting, which is generally held two weeks in advance of each Board meeting.

Separate committees have been established to provide specialist oversight for matters delegated to the Group Chief Executive and senior management. For further details of these committees, see page 252.

To further support our senior management, we have dedicated corporate governance officers who support and advise legal entities, global businesses and global functions on our corporate governance practices. These corporate governance officers serve to strengthen the consistency and effectiveness of our end-to-end governance arrangements, and support connectivity and information sharing.

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, location and the sectors in which they operate.

The subsidiary accountability framework

The subsidiary accountability framework aims to balance appropriate governance oversight by the Group with each subsidiary's local legal and regulatory duties. The framework supports the Group in promoting effective governance arrangements across its subsidiaries by:

- setting out high level principles to enhance communications and connectivity; and
- ensuring a shared and consistent understanding of the Group's strategic objectives, culture and values.

The subsidiary accountability framework 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 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 the Nomination & Corporate Governance Committee and updated as required to ensure it is aligned to best practice.

The role of principal subsidiaries

Certain subsidiaries are designated formally by the Board as principal subsidiaries. In addition to their obligations under their respective local laws and regulations, principal subsidiaries, supported by regional company secretaries, perform a critical role in ensuring effective and high standards of governance across the Group and in overseeing the implementation of the subsidiary accountability framework in the regions for which they are responsible.

Representatives from principal subsidiaries attend the Board and its committee meetings for relevant topics, including when the Board holds meetings outside of the UK. Chairs of the principal subsidiary risk and audit committees also regularly attend respective Group Risk Committee and Group Audit Committee meetings. Attendance and participation at these committees enhance the subsidiary directors' understanding of the challenges facing the Group and help to identify common challenges and share lessons learned. Such committee participation supplements the regular reports, certifications and escalations from principal subsidiaries' boards and their committees to the Board and relevant committee(s) of the Board.

The Group Chairman also interacts regularly with the chairs of the principal subsidiaries, including through the Chairman's Forum. The Chairman's Forum comprises the chairs of the principal subsidiaries and the chairs of the Group's audit, risk and remuneration committees, and where relevant, the Group Chief Executive, other non-executive Directors and relevant executive management, advisers and/or external experts. In 2023, the Chairman's Forum covered topics such as strategic business considerations, geopolitical issues, resolvability assessment requirements and separability, shareholder engagements, Group-wide connectivity of non-executive Directors, key regulatory themes, ESG insights, employee engagement and financial performance.

The Group Remuneration Committee Chair also hosted dedicated forums with chairs of principal subsidiaries to share key priorities for 2023 and the future. These sessions also provide an opportunity for review and input on proposed pay outcomes and allocation, before approval by the Group Remuneration Committee.

The 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 the sale of HSBC Bank Canada to Royal Bank of Canada, subject to regulatory and governmental approvals. On 21 December 2023, the Canadian Federal Government's Minister of Finance approved the sale, and the transaction is expected to close in the first quarter of 2024.

Subsidiary director development

The Group is dedicated to supporting the continuing professional development of its subsidiary directors. In May 2023, a two-day non-executive director summit was held in Hong Kong, which brought together over 100 non-executive directors from across the Group. Connectivity was a key theme and attendees were reminded of the importance of the subsidiary accountability framework in driving consistent governance standards and ensuring connectivity and engagement across our non-executive director community. The agenda included sessions on strategy and financial performance; Asia-Pacific; subsidiary governance; the macroeconomic environment; diversity and inclusion; sustainability; technology; finance; and risk.

The Bank Director Programme, launched in 2022, continues to support subsidiaries with succession planning by developing and equipping internal talent to undertake internal non-executive director roles on subsidiary boards.

Following the success of the Bank Director Programme, a Bank Chair Programme is being developed to ensure existing and prospective chairs of subsidiary boards and board committees have the requisite knowledge, skills and behaviours to be effective chairs.

Board and Group Executive 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 Director 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 262.

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.

As part of its ongoing review of the effectiveness of the Group's governance arrangements, and in response to the findings from the Board evaluation in 2023, the Board has decided to establish a new Group Technology Committee to oversee the Group's technology strategy and alignment with the overall Group strategy. The committee, which will be in place from 1 March 2024, will have responsibility for areas where technology is fundamental to strategic delivery, including innovation, data and cyber risk frameworks. As a result, the Technology Governance Working Group, which was established to support oversight of technology strategy, governance and emerging risks, will be demised from the same date. The terms of reference and membership of the Board committees are available at www.hsbc.com/who-we-are/leadership-and-governance/board-committees.

The GEC has established a number of committees to support the Group Chief Executive and senior management in their running of the business, and provide specialist oversight for matters delegated to them, including capital and liquidity, risk management, disclosure and financial reporting, restructuring and investment considerations, transformation oversight, ESG matters and talent and development. These committees also help fulfil their responsibilities under the Senior Managers and Certification Regime.

During 2023, new committees were established including the Sustainability Execution Committee to provide greater oversight of ESG matters. In addition, the Transformation Oversight Executive Committee was demised and in its place the Change Prioritisation Oversight Committee was formed. The committee provides oversight of the Group's change portfolio, focusing on investment oversight and prioritisation, as well as delivery and execution of ongoing initiatives across the Group.

Board *Chair: Mark Tucker*

Chairman's Committee
Chair: Mark Tucker

Nomination & Corporate Governance Committee
Chair: Mark Tucker
See page 262

Group Audit Committee
Chair: David Nish[1]
See page 266

Group Risk Committee
Chair: James Forese
See page 274

Group Remuneration Committee
Chair: Dame Carolyn Fairbairn
See page 279

Informal governance

Board Oversight Sub-Group
Chair: Mark Tucker

Technology Governance Working Group[2]
Co-Chairs:
Eileen Murray and Steven Guggenheimer

Chairman's Forum
Chair: Mark Tucker

1 *Brendan Nelson will be appointed as chair from 21 February 2024.*
2 *The Technology Governance Working Group will be demised on 1 March 2024. The Group Technology Committee will be established on the same date.*

Group Executive Committee *Chair: Noel Quinn*

Acquisitions and Disposals Committee
Chair: Noel Quinn

Group Disclosure and Controls Committee
Chair: Georges Elhedery

Group People Committee
Chair: Elaine Arden

Group Risk Management Meeting
Chair: Pam Kaur

Holdings Asset and Liabilities Committee
Chair: Georges Elhedery

Change Prioritisation and Oversight Committee
Chair: Georges Elhedery

Environmental, Social and Governance Committee
Co-Chairs:
Celine Herweijer and Georges Elhedery

Sustainability Execution Committee
Co-Chairs:
Celine Herweijer and Barry O'Byrne

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 2023, Kalpana Morparia, Ann Godbehere, Brendan Nelson and Swee Lian Teo were welcomed to the Board as non-executive Directors. Biographies for each can be found from page 239.

The Group Company Secretary and Chief Governance Officer also helps to arrange and deliver the induction programme 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.

The induction process is often initiated before appointment to allow each new Board member to contribute meaningfully from appointment, such as in February 2023 when Kalpana Morparia joined the Board meeting as an observer before she was appointed to the Board the following month. 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.

In January 2023, the Nomination & Corporate Governance Committee agreed the proposed approach to Board training for the year. It was agreed that the training programme would include key topics relevant to the Directors' respective roles and recent developments, in areas such as corporate governance, recovery and resolution, and technology. Where appropriate, the training sessions were facilitated by external presenters who were able to provide insights into geopolitical matters, macroeconomic issues and investor sentiment. The training sessions were held as part of scheduled Board meetings to allow for in-person interactions as much as possible.

Directors were also issued routine training modules that all colleagues must complete annually. During 2023, this training covered topics including risk management, cybersecurity, sustainability, health, safety and well-being, financial crime, and data.

Non-executive Directors also discussed individual development areas with the Group Chairman as part of their ongoing performance discussions with regard to their contributions on the Board. 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. Further details on any specific training commissioned by Board committees can be found in the respective committee reports. 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 of specific areas with the Board Directors as part of the Chairman's Forum. For further details, see 'The role of principal subsidiaries' on page 250.

Directors' induction and ongoing development in 2023

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]
Geraldine Buckingham	○	●	●	●	●
Rachel Duan	○	●	●	●	●
Georges Elhedery	●	●	●	●	●
Dame Carolyn Fairbairn	○	●	●	●	●
James Forese	○	●	●	●	●
Ann Godbehere[6]	●	●	●	●	●
Steven Guggenheimer	○	●	●	●	●
José Antonio Meade Kuribreña	○	●	●	●	●
Kalpana Morparia	●	●	●	●	●
Eileen Murray	○	●	●	●	●
Brendan Nelson[6]	●	●	●	●	●
David Nish	○	●	●	●	●
Swee Lian Teo[6]	●	●	●	●	●
Noel Quinn	○	●	●	●	●
Mark Tucker	○	●	●	●	●

● *Matter considered* ○ *Matter not considered*

1 *The induction programme was delivered through formal briefings and introductory sessions including topic-specific deep dives, 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 planning; 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 2023 included: 'Technology and the future of artificial intelligence', 'WPB customer-centricity improvement plan', and 'Investor sentiments'.*

3 *Directors received risk and control training and briefings. Examples of specific sessions held in 2023 included: 'Recovery and resolution' and 'Capital management'.*

4 *Directors received training in Board meetings on: 'Board stakeholder engagement and management' and various ESG development updates. Directors received additional training through their attendance at forums such as the Chairman's Forum, Remuneration Committee Chairs' Forum and the Non-Executive Director Summit.*

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 transparency, sanctions, fraud and bribery and corruption risks; our values, including workplace harassment; and data privacy and data literacy.*

6 *Ann Godbehere and Brendan Nelson, who joined the Board effective 1 September 2023, and Swee Lian Teo, who joined the Board effective 1 October 2023, only participated in training modules that were available to them since their respective joining dates.*

Board matters considered and shareholder engagement

During 2023, 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.

Key areas of focus

The Board's key areas of focus in 2023 are set out by theme below.

Strategy and business performance

The Group remains focused on building a sustainable platform for growth by increasing returns for investors, enhancing customer service, and creating capacity for future investment. The Board reviewed progress within the Group's global businesses and regions against its four strategic pillars: Focus, Digitise, Energise and Transition. At each Board meeting in 2023, the Board discussed the Group's strategic performance and opportunities to track strategic execution and delivery.

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 GEC further enhanced its governance model of ESG matters with the introduction of a new Sustainability Execution Committee and supporting forums. These support senior management in the operationalisation of the Group's sustainability strategy, through the oversight of the sustainability execution programme. For further details of the Sustainability Execution Committee and the sustainability execution programme, see page 88.

In 2023, the Board oversaw the implementation of ESG strategy through regular dashboard reports and detailed updates including: review and approval of the net zero transition plan, deep dives on the sustainability execution programme, reviews of net zero-aligned policies 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 2022*, the *Interim Report 2023* and the first quarter and the third quarter *Earnings Releases*.

At the end of 2022, the Board approved the 2023 financial resource 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 various debt issuance programmes. In January 2024, the Board approved the financial resource plan for 2024.

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 2023, the Group reverted to paying quarterly dividends, and achieved a dividend payout ratio of 50% of reported earnings per ordinary share ('EPS'), in line with our published target for 2023 and 2024. EPS for this purpose excludes material notable items and related impacts, including the sale of our retail banking operations in France, the planned sale of the banking business in Canada and the acquisition of SVB UK. In addition to dividend payments, HSBC announced share buy-backs of up to $2bn each on 2 May 2023 and 1 August 2023, and a further share buy-back of up to $3bn on 30 October 2023, bringing the total announced for 2023 to $7bn.

On 21 February 2023, an interim dividend of $0.23 per share for the 2022 full-year was announced, followed by interim dividends of $0.10 each on 2 May 2023, 1 August 2023 and 30 October 2023. For further details of dividend payments, see page 435.

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;
- review and approval of the self-assessment to address the BoE's Resolvability Assessment Framework;
- review and approval of the Group's risk data aggregation and risk reporting framework aligned to the Basel Committee on Banking Supervision 239 Principles;
- review of the latest PRA Operational Resilience self-assessment regulatory submission;
- annual review and approval of the internal controls framework; and
- the revised terms of reference for the Board and Board committees.

The Board also reviewed and monitored the implications of geopolitical and macroeconomic developments during the year, both directly and by way of updates from the Group Risk Committee, and received regular updates on the Group's risk profile, including in relation to financial crime risk.

Technology

Throughout the year, the Board received detailed updates on technology and innovation from the Group Chief Operating Officer, including on the implementation of the technology strategy and key strategic business initiatives.

Following a detailed update at the Board meeting in May 2023, at the Board's request, management engaged a third party professional services firm to review the technology strategy and provide industry and peer insights. The Board received a number of updates on the review during the second half of 2023, and recommendations were presented at the December 2023 Board meeting.

Members of the Board were also closely involved in the hiring process for the new Group Chief Information Officer, who will join the Group at the end of February 2024.

In addition, the Technology Governance Working Group continued to oversee the Group's governance of technology, and supported connectivity with the principal subsidiaries on key technology initiatives. From 1 March 2024, the Technology Governance Working Group will be demised and the Group Technology Committee will be established on the same date.

People and culture

The Board continued to dedicate time in its meetings to discuss people-related and culture-related issues, with these topics remaining an important part of its focus. Each scheduled Board meeting begins with a 'culture moment', which helps to ensure that the right cultural tone is set from the top, and sets the right cultural tone for Board discussion. To help raise its awareness of employee and other stakeholder perspectives, Board meetings and dedicated reports feature insights into behaviours within the Group, which demonstrate alignment to its purpose and values. Board papers highlight relevant stakeholder considerations, including in connection with employees. The Board also gains valuable cultural insights through its many personal interactions with the workforce and other stakeholders. For further details see 'Board decision making and engagement with stakeholders' on page 20.

The Board also learns of people and culture matters by way of presentations at the Chairman's Forum. The principal subsidiary chairs report on their respective approaches to workforce engagement as well as what they have learned from such engagements and other cultural insights. The Board also receives cultural insights from the all-employee Snapshot survey and broader reporting, which provide key data indicators, including on people's behaviours, sentiment and business outcomes. Through the work of the committees, the Board is also able to monitor how the Group's culture is working in practice by receiving people-related reports covering whistleblowing, conduct and investigations.

Board engagement with management and the wider workforce continued to remain a strong area of attention, particularly with the ongoing activities carried out by the dedicated workforce engagement non-executive Director. For further details of the work carried out by the workforce engagement non-executive Director, see page 257.

Governance

The Board continued to oversee the governance, smooth operation and oversight of the Group and its principal and material subsidiaries, including monitoring compliance with the UK Corporate Governance Code, the Hong Kong Corporate Governance Code and the Companies Act 2006. Governance featured prominently in the Board agendas for the year and helped to shape strategic direction and decision taking on key issues. To see how the Board considered principal decisions in relation to our strategy, see 'Principal strategic decisions' on pages 22 and 23.

The Board and senior management continued to support further improvements to various governance initiatives to encourage simplification and promote effective decision making in the business. Guidance and training for Board and committee paper templates took place across global businesses and functions throughout the course of the year to ensure a consistent approach for writing papers. In addition, to drive our simplification agenda, the Group-wide delegations of authority framework was reviewed and standardised, allowing for more efficient signing and execution of contracts and other documentation by directors and senior management across all entities.

In 2023, Jackson Tai retired as an independent non-executive Director. On 1 January 2023, Georges Elhedery joined the Board as Group Chief Financial Officer, and the following were appointed as independent non-executive Directors: Kalpana Morparia on 1 March 2023; Ann Godbehere and Brendan Nelson on 1 September 2023; and Swee Lian Teo on 1 October 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 262. For further details of diversity of the Board, see page 247.

Board engagements with shareholders

In 2023, the Group Chairman and Group Chief Executive held a Q&A session with retail shareholders as part of the Informal Shareholders' Meeting in Hong Kong, and the Board held a Q&A session with shareholders as part of the 2023 AGM in the UK. Board members remained responsive to shareholder requests, and were particularly active following the 2023 AGM poll vote result. They continued to engage in constructive dialogue with top 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 16 meetings, including a large group gathering held with the members of The Investor Forum. 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.

For further details of the Group Remuneration Committee Chair's engagements with key investors and proxy advisory firms, and how they were taken into account by the Group Remuneration Committee in its decision making, see the Directors' remuneration report on page 279.

For further details of how the Board engaged with shareholders during 2023, see 'Board decision making and engagement with stakeholders' on page 20.

Board matters considered in 2023

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

● *Matter considered* ○ *Matter not considered*

1 *No Board meetings were held during April, August and October 2023.*
2 *Includes recovery and resolution planning, modern slavery and human trafficking, UK regulatory activities, and listing authority renewals.*
3 *Meetings attended by members of the Prudential Regulation Authority and the Financial Conduct Authority.*

Board stakeholder and workforce engagement

The Board is committed to engaging with colleagues, which takes place in a two-way dialogue in a variety of forums. This helps build the Board's understanding of key themes and topics that are important to the workforce.

Since his appointment as dedicated workforce engagement non-executive Director in 2022, and in line with the Board's expectation of the role, José Meade has helped deliver a progressive programme of engagements throughout 2023. Outcomes from these engagements have helped inform discussions and decision making in the Boardroom, by taking into account the employee voice on related key themes and topics.

His dedicated role does not preclude other Board members from engaging with the workforce. It remains the responsibility of all Directors to consider diverse stakeholder views, including employees, 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 programme

A structured workforce engagement programme has been in place throughout 2023 with a focus on topics aligned to the Group's four strategic pillars. The programme was structured around the Board's priorities and agenda in 2023. These included in-person engagements when the Board travelled to different regions for Board meetings, which were highly valued by colleagues and Board members alike.

The engagements formed the bases of José Meade's reports to the Directors, aligned to key Board agenda items including those in the geographies in which the Board met. Further engagement events, town halls and meetings with the workforce were scheduled with Board members based on their locality or coincidental travel throughout the year.

The engagement events were held both at scale and through more targeted dialogue in smaller groups, to accommodate the breadth of experience, geographical spread and range of seniority of our colleagues. These engagements were designed to promote open dialogue and two-way discussions between the Board and employees, allowing the Board to gain valuable insight on employee perspectives, and in turn inform its deliberations in decision making.

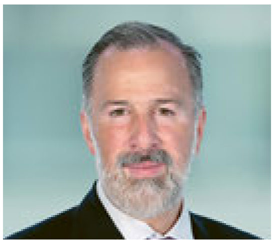
	February	March	May	June	July	September	November	December
	Cost of living crisis support	International Women's Day	Pay, reward and performance	Strategy and performance	Branch visit	HSBC graduate insights	Mexico town hall	Hyderabad office event
	↓	↓	↓	↓	↓	↓	↓	↓
Audience	London-based colleagues	Group-wide colleagues	Group-wide colleagues	Managing Directors	Local branch colleagues	US-based graduates	Mexico and Latin America-based colleagues	Hyderabad and India-based colleagues
Location	London, UK	Various global and local events	Birmingham, UK, videoconference	Videoconference	Hong Kong	New York, US, and videoconference	Mexico City, Mexico, and videoconference	In person visit to Hyderabad, India office and videoconference

José Meade's connectivity with the employee resource groups formed part of the workforce engagement programme. He took part in the annual employee resource group summit in September to discuss his observations since taking on the workforce engagement role, and to hear feedback on how the Board could enhance support for employee resource groups. José also participated in meetings with the employee resource group to which he is aligned, UK Nurture. This helped him better understand their successes, the value of the network and agree how often and through which means he would connect with his employee resource group in 2024.

During the year, the Board acknowledged that relevant aspects of Board discussions on workforce engagement activities and matters, informed by the employee voice, needed to make their way back to management. In this way, relevant views could be taken into consideration when progressing workforce-related matters at the executive level. To facilitate this, José Meade committed to attending the GEC and the Chairman's Forum to discuss the key themes and outcomes from the 2023 workforce engagements. Feedback gained from the GEC session attended in November 2023 re-emphasised the value colleagues put on the two-way dialogue with Board members. This feedback helped shape the 2024 workforce engagement programme.

The Board also regularly considers other forms of employee engagement to help be informed of initiatives and sentiment, and to plan for future engagement activities. The Chairman's Forum, held in December 2023, also discussed employee feedback gained through the Group's principal subsidiaries. José Meade presented to the Chairman's Forum an overview of workforce engagement over the course of 2023 and key themes arising. He will continue to discuss workforce engagement with the GEC and the Chairman's Forum during 2024.

Workforce engagement non-executive Director



"The value of Board-employee engagement is rooted in the Board's openness to challenge and ability to adopt new approaches in response."

Q&A with José Meade

Workforce engagement non-executive Director

Q: Since being appointed as the workforce engagement non-executive Director in 2022, what insights have you gained?

A: When I reflect on the Board's engagement with the workforce over the year, I am proud of the evolution of our approach since I took on the role. Having a dedicated programme aligned to Board priorities over the course of the year has enabled me to report to the Board on the most pertinent matters depending on our location and agenda. The year 2023 was a very productive year with respect to engaging with our workforce. I met with a large number of our colleagues on a regular basis during the year, and each event has provided me with different and equally valuable insights. I have learnt the value colleagues place on having two-way dialogue with the Board. Linked to this is our non-executive Director engagement with our employee resource groups. Each non-executive Director is aligned to one of our employee resource groups, and we listened to feedback that a more structured approach to non-executive Director engagement would be valuable during 2024. As a result, we held dedicated meetings for non-executive Directors to meet with their employee resource groups to agree the cadence for engagement and priorities in 2024.

Q: What are your reflections on the value of Board-employee engagement at HSBC?

A: Firstly, at every employee engagement event I attended during the year, I was able to hear directly from our colleagues – that is an irreplaceable and extremely valuable insight to gain as a non-executive Director. Having the employee voice in the Boardroom is crucial in equipping Directors with important context to better understand successes and challenges felt throughout the Group. It then helps empower the Board to make better recommendations and feedback to executive management with employee sentiment front-of-mind. At one of our branch visits, I was able to experience first-hand the level of care put into every single one of our clients, which was extraordinary. Following the visit, we got great feedback from the branch team that they were grateful for our time in recognising how our colleagues put customers at the centre of their work, and they said that our front-line staff were highly motivated by our kind words and encouragement.

The value of Board-employee engagement is rooted in the Board's openness to challenge and ability to adopt new approaches in response. The key outcomes we get from all our engagement events are discussed not only in the Boardroom, but with executive management and between our principal subsidiaries as well. It is this circular communication that is so important to make sure not only is the employee voice heard, but it forms a backdrop for Board and executive discussions and decisions. For instance, it was interesting to hear from graduates the importance of our hybrid working strategy to them, which was seen as a differentiator compared with competitors. Our Chairman's Forum discussed each of our regions' respective workforce engagement programmes in December, which was an invaluable session to understand regional differences in sentiment and where subsidiary Directors were focusing their time for 2024 activities.

Q: Where do you see opportunities for 2024?

A: We plan to build on the successes of 2023 and engage with more colleagues over the course of 2024. Our workforce engagement plan will continue to be guided by our Board priorities for the year and tightly aligned to our four strategic pillars. The plan incorporates, where possible, participation at colleague events already scheduled, which we will supplement with targeted engagement events. We also plan to enhance the visibility of management colleagues in critical roles or on executive committee succession plans to boards across the Group. Lastly, we will align Board member scheduled travel plans to workforce engagement activities in various regions, as well as work to identify how to engage with the workforce in geographies where Board travel is not envisaged.

Mexico Town Hall, Mexico City, November 2023

"The insight and reflections provided by the speakers was extremely useful as we had a mixture of local and global level input."

Workforce engagement non-executive Director activities during 2023

In 2023, José Meade undertook a variety of engagements in his role including:

Mexico

- Attended the annual Leones event in Quintana Roo, Mexico.
- Approximately 400 employees participated across businesses and functions.
- This event recognised our top performers in HSBC Mexico.

Hong Kong

- Visited employees at the HSBC Hong Kong flagship branch and the K11 Atelier Wealth Centre (which opened in October 2021 to provide high net worth wealth management services) to understand their perspective on working life.

UK

- Participated in an in-person meeting with a small group of local managers in London to discuss the cost of living crisis in the UK.
- The group discussed the support that HSBC had provided to its employees in response, and considered ideas for further support.

US

- Met with US-based graduates both in-person and virtually to hear the perceptions of the next generation of talent at HSBC.
- Views were sought on topics such as expectation versus the reality of what it is like to work at HSBC, personal development opportunities and hybrid working successes and challenges.

Türkiye

- Participated in an in-person meeting with a diverse group of colleagues to share experiences and views on socio-economic challenges, career development, and pay and performance.

Global employee resource group summit

- Attended the virtual annual employee resource group summit and heard about the groups' leaders' successes, challenges and their respective look ahead for 2024.
- Connected with employee resource group representatives across multiple regions in the Group.

India

- Spent a day at our Hyderabad office learning about the history of our presence in India and the impact of our global service centres, as well as discussing the future of the workforce and how to create a supportive environment for professional growth.
- Also participated alongside nearly 5,000 colleagues in a 'Digitise' town hall, which discussed HSBC's digital strategy and the role played by colleagues in India.

Engagement highlights

Global Service Centre office visit, Hyderabad, December 2023

68 Virtual/physical sessions attended by non-executive Directors	**9,571** Number of employees engaged virtually/physically
41 Virtual/physical sessions attended by workforce engagement non-executive Director	**8,282** Number of employees engaged virtually/physically by workforce engagement non-executive Director
8 Countries of engagement	**69%** Highest employee engagement survey response

Board and committee effectiveness, performance and accountability

The Board and its committees are committed to regular, independent evaluation of their effectiveness. In 2023, the Board performance review comprised an externally facilitated evaluation in accordance with the UK Corporate Governance Code.

During 2023, the Nomination & Corporate Governance Committee oversaw the process to appoint an independent service provider to evaluate the Board and its committees' effectiveness and performance. The Group Chairman led a formal tender process, with the support of the Group Company Secretary and Chief Governance Officer, which included a desktop review of proposals and a panel interview with prospective firms to discuss their approach to the evaluation. The panel interviews included the Group Chairman, three non-executive Directors, and the Group Company Secretary and Chief Governance Officer.

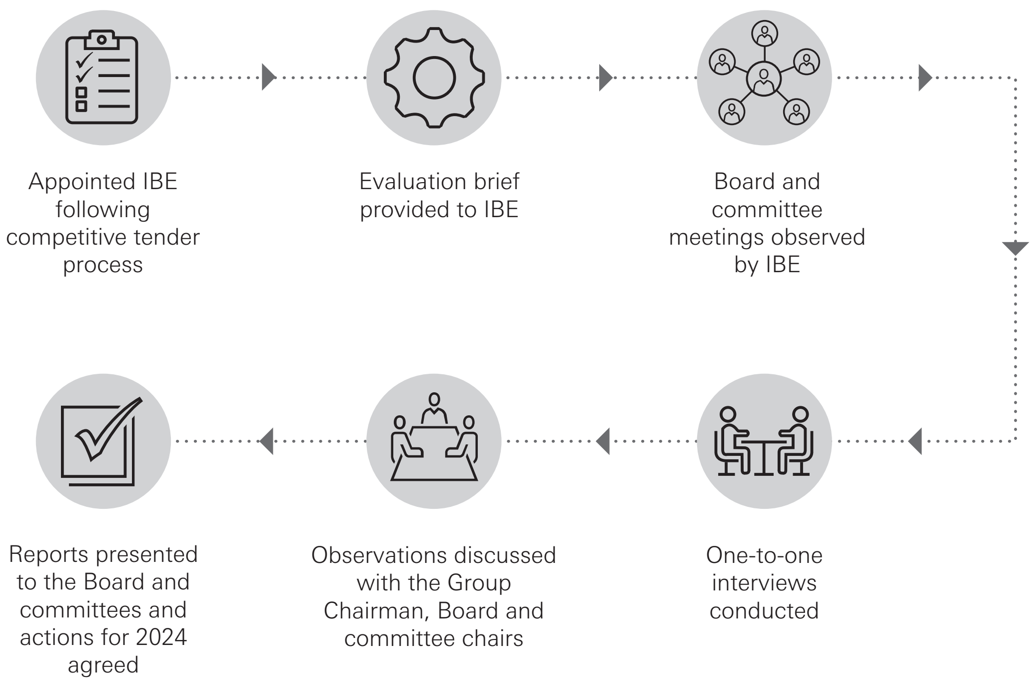
Following this process, and based on the recommendation of the panel, the Nomination & Corporate Governance Committee appointed Independent Board Evaluation ('IBE') to conduct the Board review in 2023. IBE is an independent external service provider with no other connection with the Group or any individual Directors.

Board effectiveness review format

A comprehensive brief was provided to IBE by the Group Chairman and Company Secretary and Chief Governance Officer. The review took the form of detailed interviews with every Board member, regular attendees of the relevant meetings and key advisers. IBE also observed the Board and its committees at the September 2023 meetings and reviewed the meeting materials.

A report was compiled by IBE based on the information and views supplied by those interviewed and IBE's observations from the September 2023 Board and committee meetings.

Board and committee evaluation process



The Board made good progress against all of the action points identified during the 2022 evaluation. In particular:

- Management developed a new key performance indicator architecture relating to performance, execution and risk management as well as other key value drivers.
- The Sustainability Execution Committee, a management forum, was established to provide greater focus and accountability for progress against the Group's ESG deliverables and milestones.
- An independent review of the Group's technology strategy was performed by a third party, with the outcomes, including lessons learned, and next steps discussed and agreed by the Board.
- The Board held focused sessions on prioritisation and simplification.
- Stakeholder engagement plans were structured around the Board's visits to Paris, Hong Kong, New York and India during the year, and broader non-executive Director travel. These plans provided the Board with the opportunity to engage with the full spectrum of stakeholder groups, including employees. Further details of the Board's engagement activities are detailed on page 21.
- Continued training and guidance was provided to key paper authors and contributors to reinforce the importance of timely, balanced and accurate reporting to the Board.

Findings and recommendations

Overall, the review concluded that the Board was performing well as an engaged, global governance body. The Group Chairman is regarded as an excellent leader of the Board, fostering a culture of openness, with encouragement for Board members to speak freely on any issue. In particular, the effectiveness review highlighted that the Board performed well in various areas including:

- Stakeholder accountability: The Board takes its responsibilities towards stakeholders seriously, positively and sincerely.
- Board culture: The culture of the Board is regarded as a key strength. Preserving and sustaining this has been a key factor in considering candidates for appointment to the Board. Communication is open and transparent.
- Relationship with senior management: Board members value the openness between, and access to, the senior management team.
- Committee chairs: Chairs of committees are well supported by the respective functional teams, including Risk, Finance, HR and Corporate Governance and Secretariat.
- Board resources and support: The Board appreciates the strategic advice and counsel it receives on governance issues from the Group Company Secretary and Chief Governance Officer and her team.

IBE presented its report to the December 2023 Board meeting, and was present for the Board's discussion, led by the Group Chairman, on the findings identified through IBE's review. Among other recommendations for consideration that could strengthen the end-to-end governance of the Board and its committees, the Board focused on the following three specific themes:

- Effecting change: A need for greater focus was identified in relation to the prioritisation of execution, with clearer and more timely progress reporting to the Board, in particular around challenges faced.
- Board information: Reporting to the Board requires more succinct narrative and relevant key performance indicators. It was reiterated that the Board would continue to hold the Group Chief Executive and members of the GEC accountable for the quality of reporting to the Board.
- Technology governance: Strengthened governance mechanisms were agreed to support the Board's review and challenge of technology-related deliverables and monitoring of delivery against the Group-wide technology strategy.

Further details of the findings and agreed actions to be taken can be found in the table below. Completion of these actions will be monitored by the Board throughout 2024.

The additional areas of feedback gathered from members of the Board and regular attendees will be taken forward at the discretion of the Group Chairman based on his determination of their impact on the overall effectiveness of the Board and its committees.

Similar discussions were led by each of the Board committee chairs in their respective January 2024 meetings. Progress against these actions will be included in the *Annual Report and Accounts 2024*.

Summary of 2023 Board effectiveness findings and recommendations for action:

	Findings from the evaluation	Agreed actions
Effecting change	– Although the Board is performing well, there are areas where, working with management, enhancements could be made to drive even greater value. – This would reinforce a clear understanding of priorities and enhanced clarity of management reporting, particularly in relation to areas of challenge in, or delay to, execution of those key deliverables. – Greater rigour was required in relation to the communication of, accountability for, and execution against the Board's feedback.	– Consideration will be given to the frequency and format of strategic updates to the Board. – The Group Company Secretary and Chief Governance Officer will support the Group Chairman and committee chairs to ensure that there is enhanced consolidation of related discussion and actions across Board and the committees, including clearer articulation of expected outcomes. – The Group Chief Executive will drive an increased focus in addressing the Board's feedback within the wider management team.
Board information	– The volume of information provided to the Board and to committee meetings during the year was a common area of discussion during the review. Enhanced, dynamic and well-timed reporting of information to the Board is required. – Although the Board welcomed the thoroughness of management's review of key performance indicators, these required to be refined for Board purposes to ensure better alignment with paper narrative to ensure a clear, consistent basis for Board reporting.	– The Board has commissioned a training programme, to be developed and delivered by the Group Company Secretary and Chief Governance Officer, to further support senior leaders and other subject matter experts on reporting to, and interactions with, the Board. – A condensed key performance indicators framework was approved by the Board at its meeting in January 2024 and will be cascaded throughout the Group by the Group Chief Executive, the Group Chief Financial Officer and the Group Company Secretary and Chief Governance Officer.
Technology governance	– Although the Board welcomed the important and valuable role of the Technology Governance Working Group, there is still more to do to develop a holistic oversight of technology at Board-level. – It was agreed that the future approach to oversight of technology-related matters needed to complement the existing responsibilities of the Board, Group Risk Committee, Group Audit Committee and subsidiary boards.	– A formal Board-level governance committee consisting of non-executive Directors – the Group Technology Committee – will be established to provide oversight of technology-related matters across the Group. This will be chaired by Eileen Murray and take effect from 1 March 2024. – The existing Technology Governance Working Group will be demised at that time.

Nomination & Corporate Governance Committee

"I am confident that the changes to the composition of the Board over the past year have further strengthened the Board's collective knowledge and experience required to oversee, challenge and support management."

Mark E Tucker

Chair

Nomination & Corporate Governance Committee

Membership

	Member since	Meeting attendance in 2023
Mark Tucker (Chair)	**Oct 2017**	**9/9**
Geraldine Buckingham	**May 2022**	**9/9**
Rachel Duan	**Sep 2021**	**9/9**
Dame Carolyn Fairbairn[1]	**Sep 2021**	**8/9**
James Forese	**May 2020**	**9/9**
Ann Godbehere[2]	**Sep 2023**	**2/2**
Steven Guggenheimer	**May 2020**	**9/9**
José Antonio Meade Kuribreña	**Apr 2019**	**9/9**
Kalpana Morparia[3]	**Mar 2023**	**6/6**
Eileen Murray[4]	**Jul 2020**	**8/9**
Brendan Nelson[2]	**Sep 2023**	**2/2**
David Nish	**Apr 2018**	**9/9**
Jackson Tai[5]	**Apr 2018**	**5/5**
Swee Lian Teo[6]	**Oct 2023**	**1/1**

1 *Dame Carolyn Fairbairn was unable to attend the January meeting due to a prior commitment.*
2 *Ann Godbehere and Brendan Nelson joined the Committee on their appointments to the Board on 1 September 2023.*
3 *Kalpana Morparia joined the Committee on her appointment to the Board on 31 March 2023.*
4 *Eileen Murray was unable to attend the September meeting due to a prior commitment.*
5 *Jackson Tai retired from the Board on 5 May 2023.*
6 *Swee Lian Teo joined the Committee on her appointment to the Board on 1 October 2023.*

Key responsibilities

The Committee's key responsibilities include:

– overseeing and monitoring the corporate governance framework of the Group and ensuring that this is consistent with best practice;

– overseeing succession planning and leading the process for identifying and nominating candidates for appointment to the Board and its committees; and

– overseeing succession planning and development for the Group Executive Committee and other senior executives.

I am pleased to present the Nomination & Corporate Governance Committee report, which provides an overview of the Committee's activities during 2023.

I signalled in last year's report that succession for key roles on the Board would be a priority for the Committee through 2023, and we announced in early December the successors for the roles of Senior Independent Director and Chair of the Group Audit Committee. This represented the culmination of considerable work by the Committee over a number of months.

As announced in December, David Nish confirmed his plans to retire from the Board at the conclusion of our AGM in May 2024. Brendan Nelson will succeed David as Chair of the Group Audit Committee with effect from 21 February 2024, and Ann Godbehere will succeed him as Senior Independent Director with effect from the conclusion of the 2024 AGM. On behalf of the Board, I want to take this opportunity to thank David for his significant commitment and contribution to HSBC, particularly in his role as Chair of the Group Audit Committee, and for the valuable counsel he has provided to the Board and to me personally. You can read more on the Committee's work on these appointments later in this report.

We also welcomed Kalpana Morparia and Swee Lian Teo and, together with Ann and Brendan's appointments, I am confident that the changes to the composition of the Board over the past year have further strengthened its collective knowledge and experience required to oversee, challenge and support management.

As a result of the changes to the Board during 2023, our year-end 2023 target of at least 40% female representation was achieved. We are committed to maintaining this at or above 40% going forward. More broadly, we remain committed to ensuring the compositions of the Board and senior management reflect the wider workforce and communities in which we operate, and you can read more on our efforts this year on page 313.

The annual review of the performance of the Board and its committees is a critical part of ensuring that our governance practices are aligned with best practice and are working effectively. Independent Board Evaluation conducted the 2023 review for the Board and its committees, and its findings and agreed actions can be found on pages 260 to 261.

These actions included the decision to establish the Group Technology Committee, which was discussed by the Committee. Further information on this new Board-level committee is set out on page 252. In addition, the Committee reviewed the approach to the Group's governance of developing areas such as ESG and AI, and will continue to focus on whether these remain appropriate and forward-looking as external standards and practices develop.

There have been numerous consultations issued over 2023, aimed at improving the effectiveness of the UK audit, governance and regulatory regimes. Given their potential impact, the Committee received updates on these and their potential implications on governance arrangements. The Committee also reviewed and provided input to the Group's responses to relevant consultations, including the Financial Reporting Council's ('FRC') consultation on proposed revisions to the UK Corporate Governance Code. The Committee continues to monitor potential future developments in the UK, Hong Kong and elsewhere to ensure that the impact of any proposed governance and regulatory changes on HSBC and its international operations is considered.

As we look ahead to the remainder of 2024, the Committee will look to oversee and enhance the succession pipeline at Board and senior management level, as well as efforts to deliver consistent standards of governance best practice across the Group.

Mark E Tucker

Group Chairman

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 fulfils its governance responsibilities.

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

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, and with regard to the benefits of a diverse Board. Appointments are made in accordance with HSBC Holdings' Articles of Association.

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 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 non-executive Directors are appointed beyond six years, an explanation will be provided in the *Annual Report and Accounts*.

Shareholders vote at each AGM on whether to elect and re-elect individual Directors. All Directors that stood for election and re-election at the 2023 AGM were elected and re-elected by shareholders.

Non-executive Director 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.

Non-executive Directors serving on the Board and as a member of any committees are expected to serve up to 75 days per annum. The Senior Independent Director is expected to serve an additional 30 days per annum. Those Directors who also chair a large committee are expected to commit up to 100 days per annum, with the Group Risk Committee Chair expected to commit up to 150 days per annum. Any additional time commitment required of non-executive Directors in connection with Board and committee activities is confirmed to them separately.

Board approval is required for any non-executive Director's external commitments, with consideration given to their total time commitments, potential conflicts of interest, and regulatory and investor expectations.

Board composition and succession

During 2023, the compositions of the Board and its committees were reviewed, with assessments focused on the skills, knowledge and experience necessary to oversee, challenge and support management in the achievement of the Group's strategic and business objectives. The assessments were focused on the Board, both collectively and as individual members. The Committee discussed succession planning for key roles on the Board and committees, including the roles of Senior Independent Director and Chair of the Group Audit Committee. The recruitment process for the new Directors provided an opportunity to add significant executive experience in banking. It also provided an opportunity to add deep business and cultural expertise across Asia that the Board had previously identified as a priority, and to meet our target for a woman to hold at least one of the senior Board positions by the end of 2025. In line with these objectives, a list of potential candidates was identified and considered by the Committee. Members of the Board, including the Group Chief Executive and Group Chief Financial Officer, met with potential candidates and their feedback helped inform the Committee's discussions and recommendations to the Board. The Board then approved the Committee's recommendations to appoint Kalpana Morparia with effect from 1 March 2023, Ann Godbehere and Brendan Nelson with effect from 1 September 2023, and Swee Lian Teo with effect from 1 October 2023.

Kalpana Morparia and Swee Lian Teo each bring significant banking, risk and regulatory experience in Asia. Ann's deep financial acumen and extensive financial services experience gained over a 30-year career, as well as her extensive large, public-listed company board experience as a non-executive director, makes her the right successor for the role of Senior Independent Director. Brendan's UK and international financial expertise and significant experience as statutory audit partner, and as audit committee chair at UK-listed companies, as well as previously being President of the Institute of Chartered Accountants of Scotland, will be particularly valuable in the leadership of the Group Audit Committee given the evolving audit, regulatory and disclosure environment in which the Group operates. Their biographies can be found on pages 239 to 243.

Following the annual review of the Board skills matrix, the Committee remains focused on identifying candidates for future appointments with deep business and cultural expertise across Hong Kong and mainland China.

The Committee will continue to monitor the market during 2024 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.

Neither Jackson Tai, who retired from the Board during the year, nor David Nish, who is not offering himself for re-election at the 2024 AGM, have raised concerns about the operation of the Board or the management of the company.

Committee composition

As part of the decision to establish the Group Technology Committee, when reviewing the Committee composition, it was agreed that Eileen Murray would be appointed as Chair, and Steven Guggenheimer, Kalpana Morparia, Swee Lian Teo and Brendan Nelson would be appointed as members of the Group Technology Committee with effect from 1 March 2024.

The Committee also reviewed the composition of the Board committees more broadly to ensure that these remained appropriate and diverse, with consideration of the Board diversity and inclusion policy while utilising the respective skills and expertise of the Board members as set out in the Board skills matrix on page 247. As a result, and in addition to the appointments of members to the Group Technology Committee, it was agreed that Ann Godbehere would be appointed to the Group Audit Committee with effect from 21 February 2024.

Board diversity

The Board recognises the importance of gender, social and ethnic diversity, and the benefits diversity brings to Board effectiveness. Diversity is taken into account when considering succession plans and appointments at both Board and senior management level, as well as more broadly across the Group. The Committee also considered the diversity and representation on Board committees when reviewing their composition.

At the end of 2023, the Board had 47% female representation, with seven female Board members out of 15, ahead of the year-end 2025 target set by the FTSE Women Leaders Review. Ann Godbehere's appointment as Senior Independent Director will mean the Board achieves the FTSE Women Leaders Review target that at least one of the senior Board positions of Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer is held by a woman. In accordance with the UK Listing Rules, the Board is on track to be compliant with these diversity targets and will be fully compliant with effect from the conclusion of the 2024 AGM. Beyond gender, the Board continues to exceed the Parker Review target of having at least one Director of ethnic heritage. However, given the international nature of our business, including our heritage in Asia, the Board has set a target to maintain or improve the current representation of Directors from a diverse ethnic heritage.

The Board's diversity and inclusion policy was updated in December 2023. The policy confirms our commitment to, and also details the approach to achieving, our diversity ambitions. Further details on activities to improve diversity across senior management and the wider workforce, together with representation statistics, can be found from page 76. The Board's diversity and inclusion policy is available on www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities

Independence

Independence is a critical component of good corporate governance, and a principle that is applied consistently at both HSBC 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 2023, 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

Following Georges Elhedery's appointment as Group Chief Financial Officer from 1 January 2023, the Committee monitored and received updates on his induction plan.

The succession plans for the Group Executive Committee members were approved by the Committee in December 2023. These reflect 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. The approval of succession plans included future internal and external succession options for the Group Chief Executive, to ensure that the Committee has a robust and actionable plan when required. The Committee also reviewed longer-term internal succession options for the Group Chief Executive to enable the Committee to interact more frequently with high potential and diverse talent in the Group.

The Committee 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 Board and Board committees, including the Committee, was conducted externally by Independent Board Evaluation for 2023. It determined that the Committee continued to operate effectively, with no specific actions identified for the Committee. Positive feedback was received on the effectiveness of the recruitment processes of new Board members and the succession planning for senior management.

Further details of the annual review of the Board and committee effectiveness can be found on pages 260 to 261.

Subsidiary governance

In line with the subsidiary accountability framework, the Committee continued to oversee the corporate governance and succession arrangements across the principal and material subsidiary portfolio. The Committee also reviewed the succession plans for the principal subsidiary chairs to ensure future successors had the necessary skills and experience to effectively oversee and monitor delivery of the Group's strategic and business priorities within their territory, in accordance with the Group's governance expectations.

Where a subsidiary was unable to fully comply with the subsidiary accountability framework, the Committee endorsed exceptions, where appropriate, subject to strong rationale, including consideration of local laws and regulations and market practice. Endorsement requests were also subject to thorough review and consideration by the Group Company Secretary and Chief Governance Officer in advance of consideration by the Committee.

The Committee reviewed succession plans and oversaw compliance with the Group's governance expectations of principal and material subsidiaries. The overall quality of succession plans has improved markedly over the past three years, with plans demonstrating a clear focus on strengthening boards' overall diversity and experience, in line with strategic and business objectives.

The Committee continued to support and seek opportunities to enhance subsidiary connectivity, including through the Chairman's Forum and Remuneration Committee Chairs' Forum, which regularly brought together the chairs of the principal subsidiaries to discuss common issues, and the Non-Executive Director Summit which brought over 100 non-executive Directors together in Hong Kong in May 2023.

Subsidiaries also provided opportunities for internal talent to serve on their boards, following the training that they received through the HSBC Bank Director Programme. The Committee continues to support and look for opportunities to enhance subsidiary connectivity through Non-Executive Director Summits and other engagement forums.

Matters considered during 2023

	Jan	Feb	Mar	Apr	May	Jun	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

"Given the uncertain external environment, as well as HSBC's growth ambitions, the GAC will continue to play an important role in monitoring the effectiveness of the control environment."

David Nish
Chair
Group Audit Committee

Membership

	Member since	Meeting attendance in 2023[1]
David Nish (Chair)	**May 2016**	**10/10**
Rachel Duan[2]	**Apr 2022**	**9/10**
James Forese[3]	**May 2020**	**7/7**
Eileen Murray[4]	**Jun 2022**	**8/10**
Brendan Nelson[5]	**Sep 2023**	**4/4**
Jackson Tai[6]	**Dec 2018**	**3/3**

1 *These included two joint meetings with the Group Risk Committee ('GRC') and the Technology Governance Working Group.*
2 *Rachel Duan was unable to join one meeting, a joint meeting with the GRC and Technology Governance Working Group, due to prior a commitment.*
3 *James Forese rejoined the GAC on 5 May 2023 following his appointment as GRC Chair.*
4 *Eileen Murray was unable to join two meetings due to prior commitments.*
5 *Brendan Nelson joined the GAC upon appointment to the Board with effect from 1 September 2023 and has been appointed GAC Chair with effect from 21 February 2024.*
6 *Jackson Tai retired from the GAC on 5 May 2023 upon his retirement from the Board.*

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, remuneration and independence;
– 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.

I am pleased to introduce the Group Audit Committee ('GAC') report setting out the key matters and issues considered in 2023.

As well as the GAC's usual obligations for financial reporting and the associated control environment, the GAC spent significant time on the oversight of the Group's ESG disclosures and improvement of the Group's regulatory reporting, specifically assurance of the Group's ESG disclosures for the *Annual Report and Accounts 2023* and the net zero transition plan and related policies, which were published in January 2024.

Internal financial control also remained a key area of focus for the GAC during 2023. This will continue to be a priority going ahead due to the need for a robust control environment given the ongoing the volume of regulatory- and strategy-driven change across the Group. This included oversight of regulatory and accounting deliverables, such as the enhancement of Finance systems and controls and the progress in the implementation of Basel III.

Significant time was also spent at GAC meetings on the positioning and forward-looking financial guidance provided to the market as part of our financial reporting for both the current and prior year, notably in relation to returns, costs and expected credit losses ('ECL'), including those associated with the Group's exposure to the China corporate real estate market.

Given the uncertain external environment, as well as HSBC's growth ambitions, the GAC will continue to play an important role in monitoring the effectiveness of the control environment in supporting sustainability of these ambitions.

The GAC 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 chairs to discuss key issues, and through their periodic attendance at GAC meetings. I also joined a number of principal subsidiary audit committee meetings throughout the year, which supported connectivity and information flows across the Group.

The Group's whistleblowing arrangements continue to satisfy regulatory obligations. I regularly met the whistleblowing team to discuss material whistleblowing cases, and the progress made in enhancing the Group's whistleblowing arrangements.

The GAC's performance and effectiveness were reviewed as part of the Board effectiveness review undertaken during the year. I was pleased that the review concluded that the GAC continued to operate effectively, with no material areas for improvement identified.

Finally, as announced on 6 December, Brendan Nelson will succeed me as Chair of the GAC following the publication of HSBC's *Annual Report and Accounts 2023* on 21 February 2024. The Board has determined that Brendan's previous experience, notably as audit chair at NatWest and bp, makes him ideally suited to chair the GAC.

David Nish
Chair of the Group Audit Committee

Committee governance

The Committee operates under delegated authority from the Board, and advises the Board on matters concerning the Group's financial reporting requirements. The Committee Chair reports on the key matters and discussions at the subsequent Board meeting, and the Board also receives copies of the Committee agendas and minutes. This supports the Board's oversight of the work carried out by management, Global Internal Audit and PricewaterhouseCoopers LLP ('PwC'), as the Group's statutory auditor.

The Nomination & Corporate Governance Committee has confirmed that each member of the Committee is independent according to the criteria from the US Securities and Exchange Commission; and the Committee and individual members continue to possess competence relevant to the banking and broader financial services sector in which the Group operates. The Board has determined that David Nish, Brendan Nelson and Eileen Murray are the audit committee '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 Committee Chair continued to engage with various key stakeholders, including regulators such as the UK's PRA and the Financial Reporting Council, to understand their views, key themes and areas of focus within the broader financial services sector. These included trilateral meetings involving the Group's external auditor, PwC, and the PRA.

The Group Chief Executive, Group Chief Financial Officer, 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 holds regular meetings with management, Global Internal Audit and PwC, as the external auditor, to discuss relevant items as they had arisen during the year outside the formal Committee process. The Committee also regularly meets with the internal and external auditors, without management present. Private discussions are also held with relevant members of senior management, including the Group Chief Financial Officer and Group Chief Risk and Compliance Officer.

Matters considered during 2023

	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 including: – oversight of the Group's engagement with PRA-requested skilled person reviews – reports from the principal subsidiaries on progress and learnings in relation to their local remediation efforts – adequacy of resources across Finance and other SME teams to deliver the Group-wide remediation programme	●	●	●	●	●	●	●	●
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	●	●	●	●	○	●	●	●
Compliance								
Accounting standards and critical accounting policies	○	●	○	○	●	○	●	●
Corporate governance codes and listing rules	○	●	○	○	●	○	○	○
Whistleblowing								
Whistleblowing arrangements and effectiveness	○	●	○	○	○	●	○	●

● *Matter considered* ○ *Matter not considered*

How the Committee discharged its responsibilities

Financial, ESG and climate reporting

The GAC 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 Pillar 3 disclosures.

Furthermore, as an area of expanded assurance, the GAC, supported by the executive-level ESG Committee, provided close oversight of the disclosure risks in relation to ESG and climate reporting, amid rising stakeholder expectations.

As part of its review, the GAC:

– reviewed the narrative commentary on our financial and non-financial performance to ensure it remained fair, balanced and understandable;

– challenged and 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 ECL, including the key judgements and management adjustments made in relation to the forward economic guidance, underlying economic scenarios and reasonableness of the weightings, as well as modelling and adjustments;

– focused on preparation for disclosures to ensure these were consistent, appropriate and acceptable under the relevant financial and governance reporting requirements;

- tracked and monitored developments relating to the strategy and scope of ESG and climate disclosures, in particular the assurance related to the Group's net zero transition plan, which was published at the end of January 2024. The GAC also focused on internal and external assurance within ESG reporting in line with wider market developments to ensure ESG and climate disclosures were materially accurate and consistent;
- tracked and monitored the delivery against the external audit plan;
- provided advice to the Board on the form and basis underlying the long-term viability statement; and
- considered the key performance metrics related to strategic priorities, and ensured that the performance and outlook statements reflected the risks and uncertainties appropriately.

In addition to its work on the Group's financial disclosures, PwC also provided limited standalone assurance on the Group's climate reporting. Further details can be found in 'Assurance relating to ESG data' on page 43.

In conjunction with the 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. This assessment informed the GAC's 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 40.

Fair, balanced and understandable

Following review and challenge of the disclosures, the Committee recommended to the Board that the *Annual Report and Accounts*, taken as a whole, were fair, balanced and understandable. These 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 2023* and results announcements to provide feedback and challenge to management. It was supported by the work of the Group Disclosure and Controls Committee, which also reviewed and assessed the *Annual Report and Accounts 2023* and investor communications.

This work enables the GAC to discharge its responsibilities and support the Board in making the statement required under the UK and Hong Kong Corporate Governance Codes.

Internal controls

Regular updates and confirmations are provided to the GAC on the action management takes to remediate any failings or weaknesses identified through the operation of the Group's framework of internal financial controls. This is supplemented by reviews of these controls by the second line of defence and internal audit, and the external auditors, who provided additional comfort to the Committee on the effectiveness of these controls. These reviews confirmed that there were no material weaknesses as at the year-end.

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.

The GAC continues to focus on controls over the Group's insurance business following the implementation of the IFRS 17 'Insurance Contracts' accounting standards. This will remain a focus through 2024, with the GAC scheduled to receive further updates on the control environment for this business and in relation to the change programme more generally through the first half of 2024.

For further details of how the Board reviewed the effectiveness of key aspects of internal control, see page 311.

Regulatory reporting

Regulatory reporting has been a key priority for the Committee over recent years, and will continue to be a priority for 2024. The Committee is focused on monitoring the programme of work to address the quality and reliability of regulatory reporting to meet regulatory expectations.

The Committee approved the Integrity of Regulatory Reporting programme, management's strategy for remediation of deficiencies in relation to the Group's regulatory reporting governance, process and controls. The Committee also provided oversight of the Group's engagement with PRA-requested skilled-persons reviews including the initiation of a review of the sustainability of the Group's ongoing remediation efforts for regulatory reporting, which commenced in 2023 for an initial period to 31 December 2025. Regular updates will be provided to the Committee by the skilled person throughout the course of their review.

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. The GAC also discussed root cause themes, remediation of known issues and new issues identified through the increased assurance work and focus on regulatory reporting. 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 initiated a schedule under which certain principal subsidiary audit committee chairs, chief executive officers and chief financial officers attended GAC meetings to share progress and learnings in relation to their local remediation efforts.

Further details can be found in the 'Principal activities and significant issues considered during 2023' table on page 271.

Adequacy of resources

The Committee is responsible, under the Hong Kong Listing Rules, to annually assess 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.

The Committee determined that each of the functions provided thorough information with regards to people capacity and capability and endorsed the annual update to the Board.

In recognition that the enhancement of the Group's regulatory reporting processes and controls was a priority for both the Committee and the Group's regulators, the GAC also considered the adequacy of regulatory reporting resources as part of the year-end activities.

Connectivity with principal subsidiary audit committees

The Committee recognises the importance of strong connectivity and alignment with principal subsidiary audit committees. The mechanisms to support this are well established and continued to operate effectively during the year.

This included information sharing and targeted collaboration between audit committee chairs and management to ensure there was appropriate focus on the local implementation of programmes. During 2023 this included a particular focus on regulatory reporting, with the subsidiary audit committee chairs, chief executive officers and chief financial officers, attending Committee meetings to update on progress, share local challenges, and areas of focus with the Committee.

In addition to the Chair's regular meetings with the audit chairs of the Group's UK, European, US and Asian principal subsidiaries, and their attendance at Committee meetings for reference items, escalations were received by the Committee for its information and action.

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.

External auditor

The GAC has the primary responsibility for overseeing the relationship with the Group's external auditor, PwC. The GAC undertook a formal competitive tender process for the Group's statutory audit during 2022 following PwC's appointment for the *Annual Report and*

Accounts 2015. This process concluded that PwC would remain as the statutory auditor, which was announced in January 2023. As part of the tender process, PwC committed to a number of initiatives to enhance the effectiveness and efficiency of the Group audit, and progress against these is reported to the Committee on a regular basis to allow these to be monitored.

PwC completed its ninth 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. It was announced during 2023 that Matthew Falconer would become the senior audit partner from 2024 as part of the rotation of auditors. The Committee reviewed the external auditor's approach and strategy for the annual audit and received regular updates on the audit, including observations on the control environment. Key audit matters discussed with PwC are set out in its report on page 318.

Following the publication of the Financial Reporting Council's ('FRC') Audit Committee and the External Audit: Minimum Standard ('the Standard') during 2023, the Committee confirmed that all requirements of the standard have been complied with.

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 its approach to enhance the quality and effectiveness of the audit. PwC's plan supports its, and the GAC's, focus on audit quality through standardisation, centralisation and the use of technology. The GAC has questioned PwC on its plans to utilise more digital solutions on the HSBC audit, and updates on this will be provided through 2024.

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 Senior Audit Partner 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. These provide a balanced scorecard and transparent reporting to the GAC on the work of both HSBC teams and PwC during the course of the audit. 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
- matters occurring in PwC's global network that could be relevant to the audit of HSBC.

Specifically in 2023, PwC reported to the GAC on the recommended actions taken in response to the independent review of governance, culture and accountability that was undertaken by Dr Ziggy Switkowski AO, as well as further detail on audit quality controls across PwC's global operations.

The GAC receives regular updates from PwC and management on performance across the audit quality indicators, which provides wider visibility of ongoing and emerging issues. The GAC requested that these indicators included metrics in relation to PwC's IT security, reflecting the significant volume of information that is shared between HSBC and PwC as part of the audit activity.

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.

The FRC's Quality Review team routinely monitors the quality of the audit work of certain UK audit firms through inspections of sample audits and related quality processes. PwC was reviewed on the audit of our financial reporting for the 2022 financial year. The Chair had discussions with the FRC as part of the process, and also discussed the outcome of the inspection with the Senior Audit Partner and the other members of the Committee. The Committee was pleased with the outcome of the inspection, which reported no key findings as well as a number of specific examples of good audit practice.

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 2023.

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.

Following the recommendation to reappoint PwC as the auditor, the associated resolutions concerning the reappointment and the audit fee for 2023 were approved at the 2023 AGM by the shareholders of the Group.

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 64 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;
- other permitted services such as advisory attestation reports on internal controls of a service organisation primarily prepared for and used by third-party end users; or
- required or permitted by local regulators to be performed by the external auditor.

Eight 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 independent assurance reports on global controls for 2023.

Auditors' remuneration	2023 $m	2022 $m
Total fees payable	**155.9**	148.1
of which fees for non-audit services	***46.1***	*50.5*
Ratio of non-audit fees to audit fees[1]	**42.0%**	51.7%

1 *The calculation is on a simple ratio and is not based on FRC guidance on non-audit fees ratio thresholds.*

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 94 for further information).

The Board has delegated responsibility to the GAC to oversee the effectiveness of HSBC's whistleblowing procedures. The Chair of the GAC is a Group Senior Manager (SMF7), and has a prescribed responsibility as the whistleblowers' champion, to ensure integrity of HSBC's policies on whistleblowing and protecting those who report concerns. As part of his responsibility, the GAC Chair reports to the Board on the GAC's oversight of whistleblowing as part of his regular reporting updates.

The Group Head of Regulatory Compliance regularly updates the GAC on whistleblowing effectiveness, including controls assessments and internal audit findings. The Committee is briefed on culture and conduct risks from whistleblowing cases and actions taken.

In 2023, the GAC received updates on topics such as cultural insights from internal HR-led investigations relating to matters reported through HSBC Confidential. Reports were also provided on the actions taken to support different functional areas collaborate post-investigation. The Chair met with the Group Head of Conduct, Policy and Whistleblowing for briefings on significant whistleblowing matters. In 2024, the GAC will continue to receive briefings on these actions and the ongoing efficiency of the HSBC Confidential channel.

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 2023, 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 2024 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 2024 audit coverage remain as: strategy, governance and culture; financial crime, conduct and compliance; financial resilience; and operational resilience. A quarterly continuous monitoring assessment of key risk themes will form the basis of thematic reporting and plan updates and will ultimately drive the 2025 planning process.

In 2024, Global Internal Audit's new or heightened areas of coverage are: transformation including regulatory change; people capacity and capability; ESG; material regulatory obligations; Consumer Duty implementation; retail and wholesale credit risk management; Basel III; regulatory reporting; treasury; operational resilience; enterprise-wide risk management; model risk management; machine learning and artificial intelligence; data management and technology. 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. 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 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 accountable for addressing the matters raised by Global Internal Audit, which must be 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 2023

Areas of focus	Key issues	Conclusions and actions
Financial and regulatory reporting	**Environmental, social and governance ('ESG') reporting** The Committee considered management's efforts to enhance ESG disclosures and associated verification and assurance activities, with a specific focus on the net zero transition plan and climate-related disclosures made in the *Annual Report and Accounts 2023*.	The Committee considered ESG disclosures for the *Annual Report and Accounts 2023* in detail, to ensure these were fair and balanced, and were also transparent on the challenges faced and aligned with the Group's progress in the embedding of sustainable and climate-related policies across the business. The Committee also focused on the evolution of the control environment for ESG disclosures, particularly data sourcing and policy adherence. Management provided updates on additional assurance performed over these disclosures while the control environment matures and the progress of the sustainability enhancement programme (to upgrade our capabilities in this growing area).
	Regulatory reporting The GAC monitored the progress of the regulatory reporting assurance programme to enhance the Group's regulatory reporting, impact on the control environment and oversight of 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 proposals on remediation efforts, and endorsed the strategy for the remediation of the errors in the Group's reporting submissions to regulators globally. The chief executive officers, chief financial officers and audit committee chair of the US, UK ring-fenced bank, European and Asian subsidiaries attended Committee meetings during the year to report on the remediation activities and priorities with regards to regulatory reporting in their respective markets. 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. There remains uncertainty over ECL estimation due to sustained high inflation, a high interest rate environment and weaker economic growth in the Group's key operating markets.	The Committee reviewed economic scenarios for the key countries and territories in which the Group operates and challenged management's judgements on the weightings assigned to the scenarios. The Committee also challenged management's judgemental adjustments to account for uncertainty in specific sectors and geographies, including the controls underpinning the adjustments process and conditions under which the adjustments would be reduced or removed. The Committee continued to monitor management's updates on areas of particular focus, including downside risk on mainland China and Hong Kong commercial real estate.
	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 Committee considered the recoverability of deferred tax assets, in particular in the US, the UK and France. The Committee 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.
	Valuation of defined benefit pension obligations The valuation of defined benefit pension obligations involves highly judgemental inputs and actuarial assumptions which includes rate, inflation rate, mortality rates and other demographic assumptions. Management considered these assumptions in consultation with actuarial experts to determine the valuation of the defined benefit obligations.	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. Details of key assumptions can be found on pages 366 to 368 of the 'Notes on the financial statements'.
	Valuation of financial instruments During 2023, management continuously refined its methodology and approach to valuing the Group's portfolio in relation to investments, trading assets and liabilities and derivatives.	The Committee considered the key valuation metrics and judgements involved in the determination of the fair value of financial instruments, and agreed with the judgements applied by management, which were validated through appropriate governance and control forums.
	Investment 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 Committee reviewed the judgements in relation to the impairment review of HSBC Overseas Holdings (UK) Limited and the key inputs such as projected profits, underpinning the recoverable amounts of its subsidiaries.

Principal activities and significant issues considered during 2023 (continued)

Areas of focus	Key issues	Conclusions and actions
Significant accounting judgements	**Investment in an associate – Bank of Communications Co., Limited** During the year, management performed impairment reviews of HSBC's investment in Bank of Communications Co., Ltd ('BoCom'). This included consideration of the potential impact of BoCom's designation as a globally systemically important bank in November 2023. The impairment reviews are complex and require significant judgements, such as the appropriateness of projected future cash flows, discount rate, and regulatory capital assumptions.	The Committee reviewed and challenged management's judgements in relation to impairment reviews of HSBC's investment in BoCom, performed using a value-in-use methodology. The GAC reviewed the appropriateness of key assumptions such as projected future cash flows, with a particular focus on the loan growth and net interest margin outlook, and potential impacts of the recent designation of BoCom as a globally systemically important bank. The Committee held a dedicated meeting to challenge management on the impairment charge taken in the fourth quarter of 2023, considering sensitivity analysis of value-in-use to reasonably possible changes in key assumptions and consistency of judgements with prior impairment reviews, which we have disclosed previously.
	Interest rate management, including disposal of hold-to-collect-and-sell portfolio During 2023, management proposed a framework for the disposal of selected hold-to-collect-and-sell securities to improve risk management of hold-to-collect-and-sell positions and to stabilise and protect net interest income over the medium term.	The GAC received regular management updates on hedging strategy, including the repositioning of structural interest rate hedges. The Committee reviewed controls on, and financial outcomes of, disposals of hold-to-collect-and-sell securities.
	Impairment of goodwill and non-financial assets During the year, management tested for impairment goodwill and non-financial assets. Key judgements in this area relate to long-term growth rates, discount rates and projected future cash flows to include for each cash-generating unit tested, both in terms of compliance with the accounting standards and reasonableness of the forecasts.	The Committee reviewed and challenged management's approach and methodology used for the impairment testing of goodwill and non-financial assets, with a key focus on the projected cash flows included in the forecasts and discount rates used. The GAC also challenged management's key judgements and considered the reasonableness of the outcomes against business forecasts and strategic objectives of HSBC.
	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 Committee reviewed reports from management on legal proceedings and regulatory matters, and challenged related accounting judgements and disclosures.
	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: (i) the ongoing Russia-Ukraine and Middle East conflicts, and the consequential impacts on the supply chains globally; (ii) macroeconomic risks including inflationary risks, which were expected to remain heightened in most markets; and (iii) climate risk, operational resilience, and 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.
	Impact of acquisitions and disposals HSBC engaged in a number of business acquisitions and disposals, notably in the UK, Canada, France, Greece, China, Oman and Russia. Significant judgement was involved in determining the timing of recognition of assets held-for-sale, gains or losses, and the measurement of assets and liabilities on acquisition or disposal.	The Committee reviewed management's judgements related to the planned sales of our banking business in Canada, our retail banking operations in France and our banking business in Russia, such as the timing of classification as held-for-sale and the remeasurement of assets. The Committee considered the financial and accounting impacts of the merger of HSBC Oman with Sohar International Bank of Oman, and the acquisitions of Silicon Valley Bank UK Limited, Silkroad Property Partners Pte Limited and Citi's retail wealth management portfolio in China.

Principal activities and significant issues considered during 2023 (continued)

Areas of focus	Key issues	Conclusions and actions
Control environment	**Sustainable control environment** The GAC will oversee the impact on the risk and control environment.	The Committee received regular updates on the control environment, and broader change framework, to review the impact on financial reporting and tax risk within the Group, with particular focus on the implementation of IFRS 17 in the year. In these updates the Committee monitored the assessment of the financial reporting risk, tax risk and progress made on remediation of Sarbanes Oxley significant deficiencies. This oversight helped the Committee to understand the progress being made by management to set out strategic actions to remediate identified issues and uplift the control environment to enable a sustainable reduction in risk. Management's updates were supplemented by further focus and assurance work from Global Internal Audit, including audits of significant programmes of activity during 2023.
Regulatory change	**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 updates on the progress and impact of the Basel III programme on the Group. Management discussed the delayed implementation dates due to ongoing uncertainty over the final definition of the rules by regulators, and the work undertaken to mitigate delivery risks given the concentration of delivery during 2024. The discussion highlighted the dependencies of the Basel III programme with data and management. Management focus was on ensuring that the data required and evolving internal standards were delivered by the end of 2023 to allow for integrated testing in the first quarter of 2024. The Committee reviewed the ongoing management of risks, issues and dependencies and challenged management to prioritise deliverables across each jurisdiction in line with regulatory timelines. The Committee discussed focus on ensuring, in each case, solutions were delivered to the minimum required standards.
Committee connectivity	**Collaboration with GAC/GRC/ 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.	Given that all material remediation plans within the Group rely heavily on data, the committees held joint meetings to develop an understanding of the HSBC data strategy and execution plan. The joint meetings discussed: – the review undertaken of data within the Group and the associated baseline established as part of the review; – actions taken to prioritise execution to deliver key capabilities and remediate data quality, including pilots to provide clarity around scale, key milestones and expected execution timelines; and – the three-year Group data programme delivery roadmap including detailed plans to address data quality issues, improve the data control landscape, engage with colleagues to actively mature data culture, and build sustainable capabilities that meet a growing global trend towards localisation of data.

Committee evaluation and effectiveness

The annual review of the effectiveness of the Board committees, including the GAC, was conducted by IBE, Independent Board Evaluation during 2023. The review determined that the GAC continued to operate effectively.

Positive feedback was noted on the leadership of the Committee Chair, the composition of the Committee and the focus and balance of time dedicated to discussion at Committee meetings. The review highlighted the continued importance of strong interaction between the GAC, GRC, Technology Governance Working Group and the Board, on key issues including ESG.

Further details of the annual review of the Board and Committee effectiveness can be found on pages 260 to 261.

Committee priorities

At its meeting in December 2023, the Committee agreed a number of priorities for 2024. These included:

- Regulatory reporting: Given the criticality of accurate and timely regulatory reporting to the Group's licence to operate, the Committee will have a key focus on delivery of the Integrity of Regulatory Reporting programme during 2024.
- ESG: As competent authorities in the markets in which the Group operates launch market-specific disclosure requirements under new regulation, the Committee will continue to focus on the assurance of reporting and disclosure at both a Group and subsidiary level, as well as the effectiveness of the supporting control environment and governance.
- Data: The Committee plans to monitor and provide input into the data strategy, remediation, and controls for the purposes of financial and regulatory reporting, including that data management strategies are embedded across the Group.

Group Risk Committee

"The Committee takes continuous and active steps to safeguard the Group's capital and liquidity positions, keeping it secure in the face of macroeconomic headwinds, enabling it to effectively deploy capital dynamically to take advantage of opportunities"

James Forese

Chair

Group Risk Committee

Membership

	Member since	Meeting attendance in 2023[1]
James Forese (Chair)[2]	**Jun 2022**	**10/10**
Geraldine Buckingham	**Jun 2022**	**10/10**
Dame Carolyn Fairbairn[3]	**Sep 2021**	**7/10**
Steven Guggenheimer[4]	**May 2020**	**9/10**
Kalpana Morparia[5]	**Jul 2020**	**7/8**
Brendan Nelson[6]	**Sep 2023**	**3/3**
David Nish	**Feb 2020**	**10/10**
Jackson Tai[7]	**Sep 2016**	**4/4**
Swee Lian Teo[8]	**Oct 2023**	**2/2**

1 *These included six scheduled meetings, three ad hoc meetings and one joint meeting with the Group Audit Committee and the Technology Governance Working Group.*
2 *James Forese was appointed Chair of the Committee on 5 May 2023.*
3 *Dame Carolyn Fairbairn was unable to attend three meetings due to prior commitments.*
4 *Steven Guggenheimer was unable to attend one meeting due to a prior commitment.*
5 *Kalpana Morparia joined the GRC on 1 March 2023. She was unable to attend one meeting due to a prior commitment.*
6 *Brendan Nelson joined the GRC on 1 September 2023.*
7 *Jackson Tai stepped down from the GRC on 5 May 2023.*
8 *Swee Lian Teo joined the GRC on 1 October 2023.*

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.

I am pleased to present my first Group Risk Committee ('GRC') report, having taken over the role of Chair of the Committee in May 2023. I would like to take this opportunity to express my sincere gratitude to Jackson Tai for his service to GRC, and the Group more broadly, prior to stepping down as Committee Chair. I am also pleased to welcome Kalpana Morparia, Brendan Nelson and Swee Lian Teo, all of whom joined as members of the GRC during 2023, and each of whom brings unique skills and experience to the business of the Committee.

Geopolitical risks and the macroeconomic environment continued to dominate the landscape in 2023, with turmoil in the financial markets leading to the collapse of several banks in the US and Europe in the first half of the year. Commercial real estate in both the US and Asia also came under increasing pressure due to the high interest rate environment, inflationary trends and recessionary concerns. Central banks' efforts to lower inflation by rapidly raising interest rates also had a wide-ranging impact on retail borrowers as the cost of living increased globally. The GRC has closely monitored the Group's credit exposures, market risk and settlement limits in response to these events, and has endorsed management's proactive execution in reducing high risk exposures and accelerating portfolio transformation.

Oversight of financial risks has been critical against this external backdrop, and the GRC has paid close focus to the Group's ongoing treasury, capital and liquidity risk management activities, including early warning indicators, delivery of the interest rate risk in the banking book strategy, prudential sensitivity analysis and capital and liquidity adequacy. 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 2023 annual cyclical scenario hybrid mortgage models update and the post-wind-down business restructuring analysis.

Non-financial risks were also a key focus of the GRC in 2023. The GRC carefully considered the Group's regulatory remediation and change programmes, and worked closely with management to better prioritise and understand where there are key interdependencies. In particular, the Committee reviewed and challenged the Group's data strategy and other key areas of regulatory focus, including oversight of the operational resilience enhancements, conduct and financial crime, technology and cyber risk. The GRC also provided oversight and support to risk transformation activities to develop stronger risk management capabilities and outcomes across the Group. Climate also continues to be a priority area of oversight with regular reports on areas of risk, such as greenwashing, compliance with regulatory requirements, and ESG policy changes.

Further details on these and other areas of GRC oversight during the year are set out below.

Committee governance

The Group Chief Risk and Compliance Officer, Group Chief Financial Officer, Group Chief Operating Officer, Group Company Secretary and Chief Governance Officer, Group Chief Legal Officer, and Group Head of Internal Audit 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 the external auditor, PwC, following scheduled GRC meetings.

The participation of our senior business leaders, including the Group Chief Executive who attended five scheduled GRC meetings in 2023, and the chief executive officers of the three global businesses 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, and, where appropriate, members of senior management, to discuss priorities and track progress on key actions. 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 2023' table.

Matters considered during 2023

	Jan	Feb	Mar	May	Jun	Jul	Sep	Dec
Holistic enterprise risk monitoring including Group risk profile[1]	●	●	●	●	●	●	●	●
Risk framework and policies	●	●	○	○	○	●	○	○
Treasury and traded 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	○	○	○	○	○	●	○	●
Climate 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 October 2023 to review matters relating to risk transformation, wholesale credit risk, treasury risk, model risk, operational risk, data and climate risk.*

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. Areas covered included capital management, stress testing, ICAAP and ILAAP preparations, as well as briefings on the Resolvability Assessment Framework. Further details of these sessions are included in the 'Principal activities and significant issues considered during 2023' table starting on page 276.

Connectivity with principal subsidiary risk committees

During 2023, the GRC continued to actively engage with principal subsidiary risk committees through the scheduled participation of principal subsidiary risk committee chairs at relevant GRC meetings, and through a quarterly connectivity meeting with the principal subsidiary risk committee chairs. This meeting is also attended by the Group Chief Risk and Compliance Officer. 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 at its regular meetings on the key risks facing principal subsidiaries including escalations 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 2023, the GRC met with the Risk and Compliance Executive Committee to promote information sharing, meet and assess the Group Risk and Compliance function leadership team, 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 progress and remediation of key regulatory concerns. The engagement 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 Chairs convened on two occasions to consider the Group's data strategy and ambitions. Further details of these sessions can be found under 'Collaboration with GAC/GRC/Technology Governance Working Group' in the GAC report on page 271.

The committees and working group worked closely to ensure appropriate alignment in the review, discussion, challenge and conclusions on topics including risk and control issues relating to digital assets and currencies, and the transition of core Finance capabilities to the Cloud. This ensured that the committees benefited from each other's expertise and challenge.

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, and this strengthened connectivity and the flow of information between the committees. 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 2023

Risk areas	Key issues	Conclusions and actions
Holistic enterprise risk monitoring, including Group risk profile	Macroeconomic, geopolitical and other emerging risks have the potential to present significant challenges to revenue growth, operational resilience and our commitment to serve customers and local markets.	The GRC closely monitored geopolitical and macroeconomic risks that could impact the Group's strategy, business performance or operations. These risks were exacerbated by the ongoing Russia-Ukraine war and the developing Israel-Hamas war, as well as the expected 'higher for longer' interest rate environment, inflation and impacts on the commercial real estate portfolio. 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 provided oversight and challenge of a robust book of strategic management actions to respond to potential downside scenarios. Reflecting the Committee's ability to travel to different jurisdictions and regions more frequently, the GRC requested reports on the risk profile of key business areas in local geographies and invited principal subsidiary chairs and relevant management to attend and participate in discussions.
Risk framework and policies	Effective risk management policies, frameworks and thresholds, and oversight of these, are essential for HSBC to safely, consistently and sustainably support customers and deliver strategic aims.	The Group has a risk appetite statement to define risk appetite and tolerance thresholds, which forms the basis of the risk management procedures for the first and second lines of defence, 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, reviewing changes to the Group's risk appetite statements and recommending these to the Board for approval. The agreed risk appetite statement then 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 both forward looking and dynamically responsive to emerging risk drivers, and linked to the Group's strategy, stress testing and financial resource plan. Changes were recommended by the GRC to the Group's risk appetite statement, including in the areas of interest rate risk in the banking book, wholesale credit risk, climate risk, model risk, digital assets and currencies, resilience risk, reputational risk and regulatory reporting risk.
Treasury risk	Capital and liquidity risk must be effectively monitored. It presents key risks to banks globally, as demonstrated in the first half of 2023 when there were a number of bank failures in the US and Europe. Similarly, developing action plans and guardrails to cover scenarios of recovery or resolution at a subsidiary or Group level is an essential part of HSBC's prudential management.	The Group takes continuous and active steps to safeguard its capital and liquidity positions. It performs internal and regulatory stress tests to measure resilience and performance against stress, and to consider strategic management actions that could be applied against anticipated stress events and headwinds. The GRC conducted its annual review and challenge of the Group's ICAAP and ILAAP, and provided recommendation to the Board for approval. The GRC continued to evaluate the Group's IRRBB strategy and progress made against the multi-year liquidity improvement programme. The GRC reviewed the Group's ongoing activities to identify, manage and mitigate treasury, capital and liquidity risks, including early warning indicators, sensitivity analysis, capital and liquidity reporting and adequacy. In relation to stress testing exercises, the GRC reviewed the Bank of England's 2023 annual cyclical scenario hybrid mortgage models update. The results were approved by the Committee in March 2023. The GRC also considered the 2024 financial resource plan and Group-wide internal stress test overview, scenarios and outputs, which contribute to the Group's commitment to regularly test the resilience of the balance sheet and profit and loss under multiple scenarios of varying severity. In addition to oversight of capital and liquidity risk, the GRC also reviewed and provided challenge to ongoing plans to improve balance sheet velocity across the Group through better distribution enabling further, targeted origination and ensuring effective use of capital to support revenue growth. As part of its regulatory obligations, the Group is required to show how its resolution strategy could be carried out in an orderly way and identify any risks to successful resolution. The GRC continued its oversight of the Group's progress in developing its capabilities towards the Bank of England's requirements for recovery and resolvability. In February 2023, the GRC reviewed the planned approach for 2023 post-wind-down business restructuring analysis, prior to submission to the PRA. The GRC reviewed and recommended the 2023 Resolvability Assessment Framework self-assessment to the Board for approval. The Chairs of the GRC and the GAC both received comprehensive briefings prior to the presentation of the framework.

Principal activities and significant issues considered during 2023 (continued)

Risk areas	Key issues	Conclusions and actions
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 regular updates on the Group's expected credit losses and provisions, and the credit risk arising from the wholesale portfolio and mortgage books. Throughout the year, the GRC focused on oversight of management's enhancement objectives for wholesale credit risk management, in particular to improve the Group's approach to country and industry concentration risks. 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. A key focus area continued to be offering support to our retail customers experiencing financial difficulty, by maintaining appropriate tools and treatments and ensuring that conduct and good customer outcomes was a priority.
Financial reporting risk	HSBC is exposed to risks where controls supporting the reporting of its financial statements are not effective, resulting in material error or misstatement.	While the GAC maintains primary responsibility in relation to internal financial control systems, with further detail on pages 266 to 271, the GRC receives 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 relevant audit reports that provide an assessment of control effectiveness for financial reporting risks.
Resilience risk (and operational risk)	Resilience risks could lead to a situation where we may be unable to provide our customers with critical business services due to significant disruption. Technology risks could cause unmanaged disruption to any IT system within HSBC, as a result of malicious acts, accidental actions or poor IT practice, or IT system failure.	The GRC 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 also received reports on system incidents and outages experienced across the Group, including reports on immediate actions being taken to enhance system continuity for, and communicate with customers, and measures being implemented to improve resilience-related controls to prevent reoccurrence. The GRC regularly reviewed reports on the Group's technology risk profile, as well as receiving bi-annual updates in relation to the risk and control environment, as well as the current threat landscape and emerging risks. The GRC (working with the newly-created Group Technology Committee as appropriate) will consider further the risks and opportunities inherent in the use of AI (generative and advanced) in 2024. The GRC maintained a strong focus on understanding the Group's data risk landscape, its data strategy and data management programme. The GRC collaborated with the GAC and the Technology Governance Working Group on data strategy, the execution plan and timeline for data remediation, the governance approach and the investment model. Further details on the joint meetings are included in the 'Collaboration with GAC/GRC/Technology Governance Working Group' section on page 275.
Financial crime risk	There is a risk that HSBC's products and services could 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 reviewed the Group's approach to managing its financial crime risk across geographies and businesses. This included reviewing updates to the Group's financial crime policy, enhancing the approach to insider risk, and monitoring the fraud landscape and strategies for managing fraud risk. The ongoing Russia-Ukraine war has necessitated continued 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	People are central to everything HSBC does and it is essential to manage the risk of not having the right people with the right skills, and to ensure staff always have the customer's interest at the forefront.	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 the four 'c's: capacity, capability, culture and conduct. It also considered remuneration risks, and strategies to retain talent and acquire new capabilities in key areas. Of key importance, the GRC placed strong emphasis on policies and practices relating to conduct and fairness to customers, especially vulnerable customers given heightened macroeconomic pressures and stress on customers across markets. The GRC met in November to review 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	As a result of operating in multiple jurisdictions globally, HSBC is exposed to risks associated with inappropriate market conduct or breaching related financial services regulatory standards or expectations.	The GRC and its members actively engage with regulators and act on feedback. The Committee closely monitors the progress of any regulatory remediation activities, with support from the Group Chief Risk and Compliance Officer as well as principal subsidiary risk committee chairs. Throughout 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.

Principal activities and significant issues considered during 2023 (continued)

Risk areas	Key issues	Conclusions and actions
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	If models have been inadequately designed, implemented or used, or do not perform in line with expectations and predictions, then HSBC can face risks from inappropriate or incorrect business decisions arising from their use.	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, strengthening our model risk management capabilities and addressing regulatory requirements across global jurisdictions. In particular, the GRC reviewed the PRA Supervisory Statement 1/23 and the impact on the Group. The GRC reviewed the new guidance, potential resource implications and the planned programme of changes across all three lines of defence. It also noted the enhanced governance expectations in relation to model oversight.
Climate risk	Environmental, social and governance risks present significant risks to organisations both in terms of their own operations and how they engage with stakeholders and communities.	The GRC remained focused on climate risk and greenwashing risk. The GRC received reports on climate risk management and energy policies, while maintaining oversight of delivery plans to ensure that the Group develops robust climate risk management capabilities. The GRC approved the 2023 internal climate scenario analysis and nature scenario analysis pilot in July 2023. The outcomes will be used to respond to multiple regional regulatory climate exercises as well as meeting regulatory expectations on incorporating climate change within the Group's strategic plans and ICAAP.

Committee evaluation

2022/2023

During 2023, the GRC implemented the recommendations of the 2022 committee evaluation conducted by Lintstock in consultation with the Group Company Secretary and Chief Governance Officer and Chief Risk and Compliance Officer. This included the need for continued focus on the quality of reporting, the importance of focusing limited agenda time to the most critical issues, and further clarity in roles and coordination between the GRC and other Board committees. The outcomes of the evaluation were reported to the Board, and progress was tracked by the GRC through the year.

2023/2024

During the year, the annual review of the effectiveness of the Board committees, including the GRC, was conducted externally by Independent Board Evaluation. The review determined that the GRC continued to operate effectively.

Areas for enhancement were identified, including the need for: increased focus on the most significant enterprise risks recognising the breadth of the risk agenda; continued close engagement with subsidiaries; and enhancement of induction programmes for new members given the complexity of much of the subject matter under discussion. A review of escalation parameters and filters will also be undertaken by the GRC in 2024.

The outcomes of the evaluation have been reported to the Board and the GRC will track progress in implementing recommendations during 2024.

Further details of the annual review of effectiveness can be found on pages 260 to 261.

The Committee will continue to monitor progress to deliver enhancements in response to feedback from the evaluations in 2024.

Focus of future activities

The GRC's focus for 2024 will include the following activities:

- oversee risk transformation activities to develop even stronger risk management capabilities, including the continued enhancement of the Group's risk appetite and risk management framework, especially in light of continued geopolitical and macroeconomic headwinds;
- continue to assess the Group's operational resilience capability and the implementation of enhancements to the operating model;
- continue to oversee treasury risk to strengthen our capital and liquidity management capabilities;
- monitor delivery against our climate ambitions 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 data remediation programme, 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

"The Group's financial and strategic performance is reflected in the positive remuneration outcomes for our colleagues, and we remain committed to sharing the benefits of our performance with shareholders."

Dame Carolyn Fairbairn

Chair

Group Remuneration Committee

Membership[1]

	Member since	Meeting attendance in 2023
Dame Carolyn Fairbairn (Chair)	Sep 2021	7/7
Geraldine Buckingham	May 2022	7/7
Rachel Duan	Sep 2021	7/7
James Forese[2]	May 2020	3/3
Ann Godbehere[3]	Sep 2023	2/2
José Antonio Meade Kuribreña	May 2021	7/7
Eileen Murray[4]	May 2023	4/4

1 *All members of the Committee are independent non-executive Directors of HSBC Holdings plc.*
2 *James Forese stepped down from the Committee on 5 May 2023.*
3 *Ann Godbehere joined the Committee on 1 September 2023.*
4 *Eileen Murray joined the Committee on 5 May 2023.*

Key responsibilities

The Committee's key responsibilities include:

- making recommendations to the Board, for approval by shareholders, on the Group's remuneration policy;
- setting the overarching principles, parameters and governance framework of the Group's remuneration policy;
- approving the remuneration of executive Directors and other senior Group employees; and
- regularly reviewing the effectiveness of the remuneration policy of the Group and its subsidiaries in the context of consistent and effective risk management.

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.

Dear Shareholder

I am delighted to present our 2023 Directors' remuneration report on behalf of the members of the Group Remuneration Committee.

I would like to thank Jamie Forese for the counsel he provided to us all as a member of the Group Remuneration Committee. We welcomed Eileen Murray and Ann Godbehere as members. They have already made valuable contributions since their respective appointments in 2023.

2023 was a year of good performance and positive progress for the Group. Our colleagues were critical to delivering those outcomes, remaining committed to serving our customers and clients around the world. Against that backdrop, the Committee's focus in 2023 was on ensuring we deliver an exceptional experience to colleagues. This is crucial to attract, retain and energise the people we need to sustain our performance and grow in markets that are highly competitive.

We also spent considerable time in 2023 thinking about executive Director remuneration, in the context of our strategy, performance and the removal of the 2:1 UK regulatory cap between variable and fixed pay. We have started to consider policy options ahead of the renewal of the Directors' remuneration policy in 2025.

The Committee reflected on feedback from investors following the vote on the implementation of our current policy at the Annual General Meeting ('AGM') in 2023, which received 79.75% of votes cast in favour.

We explained in our statements of 5 May 2023 and 3 November 2023 that our largest shareholder voted against the Board's recommendations on a number of resolutions including the Directors' remuneration report, which impacted the voting results on these resolutions. The Board was pleased that a large majority of shareholders voting at the AGM supported HSBC's approach. I have met with several of our large institutional investors and proxy advisory firms since the AGM, and there remains strong support for our current Directors' remuneration policy.

We will continue to engage with our major shareholders and listen to their views as we develop the Directors' remuneration policy next year.

Performance in 2023

Financial performance

Our financial performance in 2023 reflected the strength of our balance sheet in a higher interest rate environment and the good progress made executing our strategy over the last four years.

We delivered a reported profit before tax of $30.3bn, which was up $13.3bn compared with 2022. This included a favourable year-on-year impact of $2.5bn relating to the sale of our retail banking operations in France and a provisional gain of $1.6bn recognised on the acquisition of Silicon Valley Bank UK Limited ('SVB UK'), which were partly offset by the recognition of a $3.0bn impairment charge relating to the investment in our associate, Bank of Communications Co., Limited ('BoCom').

Reported revenue of $66.1bn grew by 30% or $15.4bn compared with 2022, due to good performance by all three businesses reflecting higher net interest income from interest rate rises.

Reported costs fell by 2% to $32.1bn, primarily due to the non-recurrence of restructuring and other related costs. On our cost target basis, 2023 costs grew by 6% versus our target of approximately 3% compared with 2022.

Our return on average tangible equity ('RoTE') for 2023 was 14.6%, compared with 10.0% in 2022. Excluding strategic transactions and the BoCom impairment, our RoTE was 15.6%.

This performance together with our 50% payout ratio commitment for 2023 (excluding material notable items and related impacts) enables us to approve a full year dividend of $0.61 per share.

Strategic performance

In 2023, there was further good progress in executing our strategy across the four strategic pillars aligned to our purpose, values and ambition. The completion of the sale of our retail banking operations in France on 1 January 2024 was an important milestone in the turnaround of our business. However, the strategic focus has shifted to investing for growth. The acquisition of SVB UK, and subsequent launch of HSBC Innovation Banking, is a good example of this.

We continued to capitalise on our strengths, which are our two home markets of Hong Kong and the UK, as well as our international wholesale, transaction banking and wealth businesses. The digitisation of our services for personal and corporate customers helped to improve our net promoter scores in key markets and businesses. Meanwhile the growth of transaction banking revenue, fee income in Commercial Banking, and net new invested assets in Wealth all underlined our focus on improving our earnings sustainability, which remains a key priority.

Our colleagues are the driving force behind our performance and progress, with our 2023 employee Snapshot survey demonstrating that they are more engaged than ever. Our employee focus index, which gauges how colleagues feel about their day-to-day work, was 76%, which was an increase of four percentage points on 2022. Our employee engagement index is at an all time high of 77%, which was also an increase of three percentage points and meant we matched or exceeded the global financial services benchmark in all eight of our indices.

We also continued to support our customers in challenging economic times, particularly in the UK where we supported our personal and business customers by enhancing our range of digital resources and targeting those most in need.

Rewarding our colleagues

Our goal is to deliver a unique and exceptional experience to colleagues so that we sustain our performance in competitive markets. Our reward principles and commitments centre on rewarding colleagues responsibly, recognising their success and supporting them to grow.

Pay is a critical part of our proposition. We were encouraged by a nine percentage point improvement to 52% in colleagues' perceptions they are paid fairly because of actions we took through 2022. The Committee remains very focused on the need to improve this further. For 2024, we are putting more structure in place to improve transparency and clarity about how we make pay decisions.

Beyond pay we have a strong proposition of benefits, well-being support, flexible working options, and learning and career opportunities to support our colleagues.

In 2023, we saw the maturity of the 2020 three-year Sharesave plan, which had the highest take-up rate and contribution level in recent years. The share price at maturity was more than double the option price, meaning colleagues benefited from our share price growth at a time when they needed it most. Over 90% of colleagues have access to share ownership plans globally with 25% of our global population taking part.

For further details, see ‘Our approach to workforce reward’ on page 289.

Fixed pay

For the majority of our colleagues, fixed pay is the biggest part of their reward, and many continue to be impacted by the economic environment including inflation and cost of living challenges. Our focus is on ensuring that we provide financial security through fixed pay.

Fixed pay is primarily reviewed through our annual pay cycle. Fixed pay ranges were introduced for over 190,000 colleagues to improve clarity and transparency and simplify decision making for our people managers. Effective in 2024, we have awarded an overall fixed pay increase of 4.4%. The level of increases vary by market, depending on the economic situation and individual roles. The highest increases were made to lower paid colleagues, and then focused on middle management, so that we keep pace with wage inflation.

We have also established Living Wage benchmarks for every market and were certified as a global Living Wage employer by the Fair Wage Network for 2024. This is critical to give us further confidence in meeting our commitments to reward colleagues responsibly.

We continued to take tangible actions to address the most significant inflationary pressures for colleagues. For example, in Argentina and Türkiye, we adjusted fixed pay regularly through the year. In Egypt, we supported our colleagues with a one-off pay adjustment in response to high inflation.

Variable pay

In determining the 2023 variable pay pool, the Committee wanted to recognise our strong financial and strategic performance, and the contribution colleagues have made to that.

The Committee determined an overall variable pay pool of $3,774m, 12% higher than $3,359m in 2022. This was determined based on a review of our performance against financial and non-financial metrics set out in the Group risk framework. The Committee considered the strength of our financial performance in 2023, and the ratio between variable pay and pre-variable pay profit before tax. The Committee considered the impact of margins on interest rates in our results, and lowered the total pool in line with our countercyclical funding approach. We also considered our total compensation position compared with the market, and the broader economic outlook.

The Committee considered in respect of all its remuneration decisions for 2023 the Prudential Regulation Authority's ('PRA') 29 January 2024 Notice relating to HSBC Bank plc's and HSBC UK's compliance with the UK Financial Services Compensation Scheme ('FSCS') and related Depositor Protection rules. The PRA penalty was reflected in the calculation of profitability used to determine the pool. The Committee carefully considered input from the Group Risk Committee ('GRC') and determined that no further discretionary adjustment should be made to the overall variable pay pool. The circumstances leading to the penalty require a more detailed review internally to address potential responsibility of individuals, which will be completed by the Committee in 2024, with any remuneration adjustments applied once it is complete.

Total compensation across all our businesses increased relative to 2022, rewarding our colleagues for their contribution to our performance. The distribution of the pool by business considered relative performance against revenue, reported profit before tax and cost targets. Strong differentiation has meant our highest performers received the largest increases in variable pay compared with the previous year.

Key remuneration decisions for executive Directors

Annual incentive for 2023 performance

The Group’s financial and strategic performance is reflected in the executive Directors’ annual scorecards. The Committee believes this reflects their individual leadership and contribution to delivery of the Group’s performance.

At the start of the year, the Committee set the scorecards to align with our reported financial performance. The Committee considered carefully the impact of strategic transactions and one-offs on the Group's financial performance in 2023, including the favourable year-on-year impact of $4.1bn relating to the sale of our retail banking operations in France and the provisional gain on the acquisition of SVB UK, balanced with the $3.0bn impairment charge relating to the investment in BoCom.

Consistent with the approach in prior years, the Committee judged that it was appropriate to assess financial performance for the purpose of the annual scorecard excluding these items, to ensure that out-turns were not impacted by one-offs. The assessment of RoTE and profit before tax measures therefore excluded strategic transactions and the BoCom impairment.

The Committee also considered the impact of interest rates on performance and noted that macroeconomic fluctuations remain a frequent driver of the Group’s business outcomes for our executives to manage. In recent years these factors have not led to discretionary scorecard adjustments for our executive Directors, either positive or negative, which the Committee continues to believe is appropriate.

As part of its deliberations, the Committee reflected on the overall risk management in the year, and in respect of the PRA Notice: the nature of the failings identified; the regulator's finding that the breaches identified were not deliberate or reckless; fines levied; and the tenure and specific responsibilities of the executive Directors in relation to the issues covered.

Taking into account inputs from the GRC and the overall accountability of the Group Chief Executive for the performance and risk management of the Group in 2023, the Committee used its judgement and applied a downward adjustment of 7.50% to Noel Quinn's scorecard outcome.

This results in a final scorecard outcome of 70.24% of the maximum opportunity for Group Chief Executive Noel Quinn (2022: 75.35%) and an annual incentive of £2,018,000, which is 7% lower than £2,164,000 in 2022.

The scorecard for Group Chief Financial Officer Georges Elhedery was 76.75%, resulting in an annual incentive of £1,287,000.

The Committee considered that these final outcomes were a balanced and appropriate reflection of Group and individual performance delivered in 2023, and appropriate in the context of the pay decisions made for the wider workforce.

2021–2023 long-term incentive ('LTI') vesting

Noel Quinn and Ewen Stevenson (the former Group Chief Financial Officer) participated in the 2021–2023 LTI that will vest in March 2024. As disclosed in our 2020 Directors' remuneration report, the Committee considered windfall gains at the time of award and determined no adjustment was appropriate.

The maximum RoTE and relative total shareholder return ('TSR') targets were exceeded. The capital reallocation to Asia measure was not met and the environment and sustainability measures were assessed to be 100% met. Overall, 75.00% of the original award will vest on a pro-rata basis over the next five years. Ewen Stevenson's awards have been pro-rated for time in employment.

As this is the first LTI vesting for Noel Quinn, his single figure of remuneration for 2023 is materially changed. The 2023 single figure of remuneration for Noel Quinn is £10,641,000 (compared with £5,562,000 for 2022). The value of the LTI award reflects the Group's improvement in performance, shareholder returns and share price over 2021 to 2023, and Noel Quinn's leadership in reshaping the Group to deliver more sustainable returns to shareholders.

Noel Quinn's LTI vesting also means that the pay ratio measuring the total pay of the Group Chief Executive against the median pay of our UK employees has increased to 169:1 compared with 95:1 last year. Excluding the LTI vesting in respect of the year, the median ratio remained broadly in line with prior years at 86:1. This is consistent with the pay and progression policies for our UK workforce, considering the diverse mix of employees, the pay mix for various roles and the differences in pay structure compared with executive Directors.

2024–2026 LTI awards

We have reviewed the performance measures for LTI awards considering the next phase of our strategy over 2024 to 2026. We will retain Group RoTE, relative TSR and environment targets, reflecting our strategic commitments, and to measure relative performance compared with peers. The capital reallocation to Asia measure was previously included to retain focus on repositioning the Group's capital base through the transformation of the business. While our operations in Asia continue to be of significant strategic importance to the Group, it was the Committee's view that this measure no longer appropriately incentivises the delivery of sustainable returns achievable across wider markets in which HSBC operates. We are simplifying the 2024–2026 LTI by removing this metric and increasing the weighting of RoTE and relative TSR.

The relative TSR peer group was amended for 2023 to include more Asian peers to better reflect our growth and investment focus. We do not propose to make any changes for 2024 other than the removal of the Credit Suisse Group following its acquisition by UBS Group.

Noel Quinn and Georges Elhedery will each receive a 2024–2026 LTI award of 320% of base salary in respect of their performance for 2023 (Noel Quinn: £4,275,000; Georges Elhedery: £2,496,000). Subject to performance over the next three years, awards will vest over a further five years with a one-year retention period on vesting shares. Further details on our targets can be found on page 286.

Fixed pay for 2024

We have increased the base salary of our executive Directors by 3%, effective from 1 March 2024. The increase is lower than the overall fixed pay increase of 4.4% for our wider workforce.

Remuneration in 2024

The Committee welcomes the change announced by the PRA and the Financial Conduct Authority ('FCA') to remove the existing limits on the ratio between fixed and variable pay.

The announcement, together with the wider considerations on the overall competitiveness of the UK capital markets, provides us an opportunity to consider the competitiveness of our remuneration arrangements for our executive Directors and wider workforce.

At the 2024 AGM, we will seek shareholder approval to provide the Committee with discretion, where regulations allow, to set an appropriate variable to fixed pay ratio considering all relevant factors, including our business activities and associated prudential and conduct risks.

This will improve flexibility in the structure of remuneration to increase the amount of pay that is variable, subject to the delivery of performance. It will also strengthen our ability to recruit and retain people in competitive markets where many of our international competitors do not have similar restrictions.

We remain very supportive of the use of deferral mechanisms and the requirements to deliver a substantial portion of variable remuneration in shares to ensure alignment between shareholders, good risk management and individual reward.

For our executive Directors, we have started early engagement with institutional shareholders and proxy advisory bodies ahead of the renewal of our Directors' remuneration policy in 2025. Over several years, the Committee has expressed concerns around the competitiveness of the executive Director remuneration opportunity and indicated that our preference would be to operate a policy with a higher proportion of the package based on variable pay linked to performance. The Committee continues to believe in a more performance-based structure, and we will seek shareholder approval for a new Directors' remuneration policy at the 2025 AGM in line with the normal three-year cycle after engaging with shareholders through 2024.

Conclusion

On behalf of the Committee, I would like to thank our shareholders for the time taken to engage with us during the year. We welcome the feedback on our approach to remuneration and I look forward to engaging with you further in the year ahead as we continue our review of the Directors' remuneration policy, in advance of the 2025 AGM.

As Chair of the Committee, I hope you will support the 2023 Directors' remuneration report and the resolution to remove the 2:1 cap on variable pay for our Material Risk Takers at this year's AGM.

Dame Carolyn Fairbairn

Chair

Group Remuneration Committee

21 February 2024

Executive remuneration at a glance

This section sets out an overview of our performance, 2023 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 2024.

Our performance

Reported profit before tax
$30.3bn
(2022: $17.1bn)

Net new invested assets
$84bn
(2022: $80bn)

Operating expenses
$32.1bn
(2022: $32.7bn)

Return on average tangible equity
14.6%
(2022: 10.0%)

Employee engagement index[1]
77%
(2022: 74%)

Inclusion index
78%
(2022: 76%)

Percentage of colleagues of Asian heritage in senior leadership roles
37.8%
(2022: 34.0%)

Percentage of women in senior leadership roles[2]
34.1%
(2022: 33.3%)

1 The 2022 employee engagement index score has been recalculated to reflect a change in the composition of questions in the 2023 index to ensure comparisons remain valid. In 2022 the employee engagement index was reported as 73%.
2 The percentage of women in senior leadership roles excluded the Canada business held for sale.

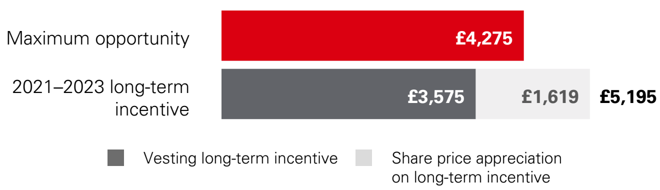
Remuneration outcomes for executive Directors

Summary remuneration outcomes for 2023 are set out below. Further details are set out in our annual report on Directors’ remuneration on pages 284 to 286.

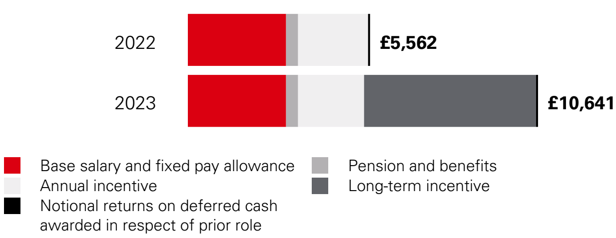
Noel Quinn

Annual incentive outcome (£000)

Long-term incentive outcome (£000)



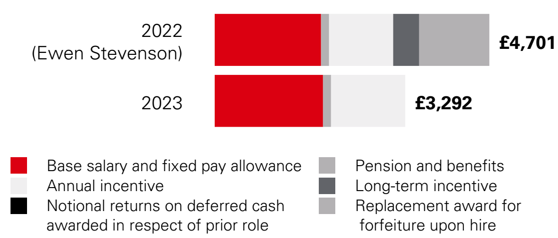
Single figure of remuneration (£000)



Shareholding (% of base salary)

Georges Elhedery

Georges Elhedery did not participate in the 2021–2023 long-term incentive



Remuneration policy summary – executive Directors

Our Directors' remuneration policy was approved at the AGM on 29 April 2022. The full 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 2024
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 increase by 3% for 2024 and will be: – Noel Quinn: £1,376,000 – Georges Elhedery: £803,000
Fixed pay allowance ('FPA')	– The FPA is granted in instalments of immediately vested shares. – On vesting, the net number of shares delivered (after those withheld to cover any income tax and social security) are subject to a retention period and released annually on a 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 retention period.	FPA will not be increased for 2024 and will remain: – Noel Quinn: £1,700,000 – Georges Elhedery: £1,085,000
Cash in lieu of pension	– 10% of base salary is paid on a monthly basis. – This allowance, as a percentage of salary, is aligned with the maximum contribution rate 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 is up to 215% of base salary. – Performance is measured against an individual scorecard. – At least 50% of any award is delivered in shares, which are normally immediately vested. – On vesting, 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 opportunity. – See page 288 for 2024 measures.
Long-term incentive ('LTI')	– The maximum opportunity 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 is 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, 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 on the same terms as the annual incentive. – 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 opportunity. – See page 287 for details of the 2024–2026 LTI awards.
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 and details disclosed in the *Annual Report and Accounts 2024* 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 will be disclosed in the respective *Annual Report and Accounts*, as required.

Annual report on Directors' remuneration

This section sets out how our approved Directors' remuneration policy was implemented during 2023.

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. Both executive Directors met this requirement for 2023.

The award is determined by applying the outcome of their annual scorecard to the maximum opportunity, set at 215% of base salary.

The financial measures, weightings and targets were set at the start of the financial year to align with our reported financial performance and before significant changes in the interest rate environment. They considered the 2023 financial plan, data from 2022, external commitments, scenario testing of upside and downside risks in the plan, and analyst consensus where relevant.

The Committee considered carefully the wider context in which performance was delivered and the impact of strategic transactions and one-offs on the Group's financial performance in 2023, including the favourable year-on-year impact of $4.1bn relating to the sale of our retail banking operations in France and the provisional gain on the acquisition of SVB UK, balanced with the $3.0bn impairment charge relating to the investment in BoCom.

Consistent with the approach in prior years, the Committee judged that it was appropriate to assess financial performance for the purpose of the annual scorecard excluding these items, to ensure that out-turns were not impacted by one-offs. The assessment of RoTE and profit before tax measures therefore excluded strategic transactions and the BoCom impairment.

The Committee also considered the impact of interest rates on performance and noted that macroeconomic fluctuations remain a frequent driver of the Group's business outcomes for our executives to manage. In recent years these factors have not led to discretionary scorecard adjustments for our executive Directors, either positive or negative, which the Committee continues to believe is appropriate.

Performance was above the maximum targets for Group profit before tax, Group RoTE and Asia RoTE. On our cost target basis, growth was 6% versus our target of approximately 3% compared with 2022 and below the performance range.

For strategic measures, diversity representation targets were set based on a trajectory to meet our external commitments. Other measures were set based on maintaining or improving when compared with 2022 performance and/or market benchmarks.

The Inclusion index in our employee Snapshot survey exceeded target, and was significantly above the financial services benchmark.

We met or exceeded our senior leadership diversity representation targets. Our customer net promoter score ('NPS') performance was largely positive relative to our competitors in most areas of our business.

The Committee considered that the scorecard outcome for personal measures for both Noel Quinn and Georges Elhedery was appropriate against the targets set at the start of the year.

Overall, this resulted in a formulaic scorecard outcome of 75.93% of the maximum for Noel Quinn and 76.75% for Georges Elhedery.

The Committee discussed at length whether the risk and compliance modifier should be applied for 2023 for the Group's performance against key risk metrics, including the historical failings identified by the PRA in its Notice of 29 January 2024.

As part of its deliberations, the Committee reflected on the overall risk management in the year, and in respect of the PRA Notice: the nature of the failings identified; the regulator's finding that the breaches identified were not deliberate or reckless; fines levied; and the tenure and specific responsibilities of the executive Directors in relation to the issues covered.

Taking into account inputs from the Group Risk Committee and Noel Quinn's overall accountability for the performance and risk management of the Group in 2023, the Committee used its judgement and applied a downward adjustment of 7.50% to his scorecard outcome.

This results in a final outcome of 70.24% of the maximum opportunity for Noel Quinn (2022: 75.35%) and an annual incentive of £2,018,000, which is 7% lower than £2,164,000 in 2022.

No risk and compliance modifier was applied for Georges Elhedery who was appointed as Group Chief Financial Officer on 1 January 2023, after all underlying issues identified by the PRA had been fully remediated. Georges Elhedery's scorecard outcome of 76.75% results in an annual incentive of £1,287,000.

Annual incentive scorecard assessment

(Audited)

Summary assessment

	Minimum (25.0% payout)	Maximum (100.0% payout)	Performance[2]	Noel Quinn			Georges Elhedery		
				Weighting (%)	Assessment (%)	Outcome (%)	Weighting (%)	Assessment (%)	Outcome (%)
Profit before tax[1] ($bn)	25.8	30.3	31.6	15.0	100.00	15.00	15.0	100.00	15.00
Target basis operating expenses ($bn)	31.0	30.5	31.6	15.0	—	—	15.0	—	—
Group RoTE[1]	12.0%	14.5%	15.6%	15.0	100.00	15.00	15.0	100.00	15.00
Asia RoTE[1]	12.8%	15.0%	16.8%	5.0	100.00	5.00	5.0	100.00	5.00
Fee income ($bn)	11.8	13.1	11.84	5.0	25.55	1.28	5.0	25.55	1.28
Growth in net new invested assets ($bn) – Total (ex Hong Kong)	36.6	56.8	55.1	2.5	93.73	2.34	2.5	93.73	2.34
Growth in net new invested assets ($bn) – Total	58.8	79.0	84.3	2.5	100.00	2.50	2.5	100.00	2.50
Customer satisfaction	See following tables for commentary			15.0	91.67	13.75	15.0	91.67	13.75
Employee experience				15.0	93.75	14.06	15.0	93.75	14.06
Personal objectives				10.0		7.00	10.0		7.81
Total				100.0		75.93	100.0		76.75
Scorecard outcome (000)						£2,181			£1,287
7.50% risk adjustment per Committee judgement (000)						£(163)			£0
Annual incentive (000)						£2,018			£1,287

1 *Assessed excluding strategic transactions and BoCom impairment.*
2 *The CET1 capital ratio underpin was met.*

Stakeholder measures for Noel Quinn and Georges Elhedery

	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	**15.0%**	– NPS is sourced from our strategic NPS surveys with results gathered through independent third-party research agencies. The assessment is against quantitative targets set based on the level of improvement from the prior year and in rank position. – In the UK and Hong Kong, we met our maximum NPS target and largely met the target in digital markets. Across other growth markets we met our maximum NPS target. – In WPB, our NPS increased in five of our six key markets (Hong Kong, mainland China, Mexico, India and Singapore). In the UK, the slight decline of our NPS was driven by mass affluent customers. We ranked among the top three banks in three of our six key markets. In Hong Kong, we remained in first place overall, leading the market with our mobile app performance. Our rank remained in the top three in mainland China, and rose to the top in India. – In CMB, we ranked among the top three banks in four of our six key markets. We were first place in Hong Kong and within the top three in mainland China, Singapore and Mexico. – In GBM, we ranked in first place globally for NPS and digital satisfaction.	**91.67%**	**13.75%**
Employee experience	Improve diversity and inclusion	**15.0%**	– The Inclusion index in our employee Snapshot survey increased by two percentage points and exceeded the maximum target of 77%. The score is seven points above the external financial services benchmark. – The percentage of Black heritage colleagues in senior leadership roles increased by 0.5 percentage points to 3.0%, meeting the maximum target and on track to meet our external commitment of 3.4% by 2025. – We made a 3.8 percentage point year-on-year net gain in senior leadership representation of colleagues with Asian heritage, against a 2022 year-end baseline of 34.0% – The percentage of women in senior leadership roles increased by 0.8 percentage points to 34.1%, meeting the target, and below the maximum. The targets excluded the Canada business held for sale. Including colleagues in HSBC Canada, gender representation in senior leadership is 34.2%.	**93.75%**	**14.06%**

Personal objectives for Noel Quinn and Georges Elhedery

For each executive Director, personal objectives were set at the start of the year and measured by the Committee against agreed targets and key performance indicators.

Noel Quinn	Weighting	Assessment	Performance achievement
Technology transformation	**4.0%**	**50.00%**	– Our Cloud adoption rate, which is the percentage of our technology services on the private or public Cloud, increased to 43% (2022: 35%). At the end of 2023, about 54% of our WPB customers were 'mobile active' users (2022: 49%) and the proportion of WPB sales completed digitally increased to 49% (2022: 43%). – The Committee's assessment balanced strong progress automating our organisation at scale against the targets set, and progress to deliver our wider multi-year technology strategy.
Progress on innovation programmes	**4.0%**	**100.00%**	– Several strategic investments were made in Asia including Meditrust, a unicorn start-up, which will support HSBC Life’s Pinnacle proposition in mainland China. Investments were made in a joint venture with Tradeshift, an existing Ventures investment, which will support the trade finance business to deploy a range of technology solutions. – In 2023, Zing, our new international payments business aimed at non-HSBC customers, was launched, and a digital currency capability with eHKD was piloted in Hong Kong. We became the first bank to pioneer quantum protection for foreign exchange trading, and were one of the first international banks to participate in China’s eCNY programme. – Progress was made on several generative AI use cases including developer productivity, knowledge management and content generation. Our first AI patent to be used to detect cyber threats, was filed.
Simplification of processes and organisation	**2.0%**	**50.00%**	– Strong progress was made with the completion of the exit from Greece, merger in Oman, and sale of the New Zealand WPB mortgage portfolio. – The sale of our retail banking portfolio in France was completed on 1 January 2024 and we remain on track to sell our retail banking operations in Canada in the first quarter of 2024. – The timing of our planned exit from our business in Russia was impacted by dependency on the regulatory and government approval process, which is outside of HSBC’s control. – Exits from our WPB business in Mauritius and our hedge fund administration business were announced.
Total	**7.00% out of 10.00%**		

Georges Elhedery	Weighting	Assessment	Performance achievement
Deliver activities relating to regulatory priorities	**2.5%**	**58.33%**	– The Integrity of Regulatory Reporting programme continues to remediate against known gaps to deliver improvements in quality of regulatory returns. – The Bank of England Resolvability Assessment Framework self-assessment was submitted, demonstrating an uplift in the Group’s capabilities. – Certain climate considerations have been assessed and incorporated into the annual financial planning cycle. We also enhanced our climate scenario analysis capabilities in line with plan.
Deliver Finance change transformation and digitisation	**2.5%**	**62.50%**	– For the remediation of interest rate risk in the banking book, all 2023 targeted actions were completed from a first line of defence perspective, subject to second and third line of defence review and confirmation in early 2024 as planned. – Identified Finance change transformation activities have been deployed in line with plans.
More energised Finance workforce	**2.5%**	**100.00%**	– Global Finance employee engagement index increased to 79% (2022: 74%), exceeding the target set. – Global Finance career index increased to 69% (2022: 65%), exceeding the target set.
Drive liquidity and capital management across the Group	**2.5%**	**91.67%**	– The Group’s CET1 capital ratio was delivered above our target operating range. – Planned liquidity optimisation outcomes were successfully met. – Targets relating to earnings stabilisation were assessed as met.
Total	**7.81% out of 10.00%**		

Single figure of remuneration

(Audited)

The following table shows the single figure of remuneration of each executive Director for 2023, together with comparative figures. This is the first vesting LTI for Noel Quinn since his appointment as Group Chief Executive in 2020 and so materially changes the composition of his single figure of remuneration for 2023.

Single figure of remuneration

	Noel Quinn		Georges Elhedery[1]	
(£000)	**2023**	2022	**2023**	2022
Base salary	**1,336**	1,329	**780**	—
Fixed pay allowance (‘FPA’)	**1,700**	1,700	**1,085**	—
Cash in lieu of pension	**134**	133	**78**	—
Taxable benefits[2]	**127**	119	**4**	—
Non-taxable benefits	**89**	86	**52**	—
Total fixed	**3,386**	3,367	**1,999**	—
Annual incentive[3]	**2,018**	2,164	**1,287**	—
Notional returns[4]	**43**	31	**6**	—
Replacement award	**—**	—	**—**	—
Long-term incentive[5]	**5,195**	—	**—**	—
Total variable	**7,256**	2,195	**1,293**	—
Total fixed and variable	**10,641**	5,562	**3,292**	—

1 *Georges Elhedery was appointed Group Chief Financial Officer from 1 January 2023.*
2 *Taxable benefits include the provision of medical insurance, car benefit, accommodation 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 *Annual incentive awards to the executive Directors are awarded 50% in cash and 50% in shares. The shares portion of the award vests immediately at grant and is subject to a retention period of one year and clawback provisions.*
4 *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.*
5 *An LTI award over 1,118,554 shares was made in February 2021 (in respect of 2020) at a share price of £4.262 for which the performance period ended on 31 December 2023. The value has been computed based on a share price of £6.192, the average share price during the three-month period to 31 December 2023. The value attributable to share price appreciation is £1,619,106. See the following section for details of the assessment outcomes, which resulted in 75.00% vesting due to performance.*

Benefits

The values of the significant benefits in the single figure table are set out in the following table. The insurance benefit for Noel Quinn has increased year on year because of the increase in premium at annual renewal. The car benefits for Georges Elhedery are not included in the table below as they were not deemed significant.

	Noel Quinn		Georges Elhedery	
(£000)	**2023**	2022	**2023**	2022
Insurance benefit (non-taxable)	**84**	82	**49**	—
Accommodation in Hong Kong (taxable)	**67**	39	**—**	—
Car and driver in UK and Hong Kong (taxable)	**47**	69	**—**	—

Long-term incentive (’LTI’) awards

(Audited)

LTI awards over 2021 to 2023 performance period

The 2021–2023 LTI award was granted to Noel Quinn and Ewen Stevenson in February 2021. Georges Elhedery was in a different role at the time and did not receive the 2021–2023 LTI award.

The scorecard delivered an outcome of 75.00%, reflecting a significant improvement in shareholder returns across the performance period.

In line with the terms of his departure, Ewen Stevenson is a good leaver and his award has been pro-rated for time in employment. Based on the performance outcome, 838,915 shares will vest for Noel Quinn and 371,697 shares will vest for Ewen Stevenson. The awards will vest in five equal annual instalments commencing in March 2024.

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 the 2021–2023 LTI award such that if the LTI grant share price experienced a greater than 30% decline since the previous grant, then a downward adjustment would be made. The Committee determined that there were no windfall gains to consider for this award given the share price at grant (£4.26) was 24% below the share price at the previous LTI grant (£5.62).

The 2021–2023 LTI award is subject to a risk and compliance modifier. The Committee received input from the GRC who assessed that the performance targets were delivered with appropriate risk management. On this basis, the Committee considered that no adjustment for risk should be made to the 2021–2023 LTI award. The CET1 capital ratio underpin for the 2021–2023 LTI award was also met.

Assessment of the 2021–2023 LTI awards

Measures (weighting)[1]		Minimum (25.0% payout)	Target (50.0% payout)	Maximum (100.0% payout)	Actual	Assessment	Outcome
RoTE with CET1 capital ratio underpin[2] (25.0%)		**8.0%**	**9.0%**	**10.0%**	**14.6%**	**100.0%**	**25.00%**
Capital reallocation to Asia with CET1 capital ratio underpin[3] (25.0%)		**45.0%**	**47.0%**	**50.0%**	**43.4%**	**0.0%**	**0.00%**
Transition to net zero[4] (25.0%)	**Carbon reduction (own emissions)**	**42.0%**	**48.0%**	**51.0%**	**57.3%**	**100.0%**	**12.50%**
	Sustainable finance and investment	**$200.0bn**	**$240.0bn**	**$260.0bn**	**$294.0bn**	**100.0%**	**12.50%**
Relative TSR[5] (25.0%)		**At median of the peer group**	**Straight-line vesting between minimum and maximum**	**At upper quartile of the peer group**	**Above upper quartile**	**100.0%**	**25.00%**
Total							**75.00%**

1 *Awards vest on a straight-line basis for performance between the minimum, target and maximum levels of performance set out in this table.*
2 *Assessed based on RoTE in the 2023 financial year. The CET1 capital ratio underpin was met.*
3 *Assessed based on share of Group tangible equity (on a constant currency basis and excluding associates) allocated to Asia by 31 December 2023, which was not met.*
4 *Carbon reduction assessed on percentage reduction in total energy and travel emissions achieved by 31 December 2023 using 2019 as the baseline. Sustainable finance and investment assessed on cumulative financing provided over the performance period.*
5 *The peer group was: Bank of America, Barclays, BNP Paribas, Citigroup, DBS Group Holdings, Deutsche Bank, J.P. Morgan Chase & Co., Lloyds Banking Group, Morgan Stanley, Standard Chartered and UBS Group. Credit Suisse Group was removed from the peer group following its acquisition by UBS Group in June 2023.*

LTI awards over 2024 to 2026 performance period

After taking into account performance for 2023, the Committee decided to grant Noel Quinn an LTI award of £4,275,000 and Georges Elhedery an LTI award of £2,496,000 (both 320% of base salary).

The awards will have a three-year performance period starting on 1 January 2024.

The Committee has reviewed the performance measures considering feedback from shareholders and the next phase of our strategy. We are simplifying and improving the focus on shareholder returns by assessing performance on three measures, including RoTE and relative TSR which are equally-weighted financial measures, and a third measure linked to our climate ambitions.

The capital reallocation to Asia measure was previously included to retain focus on repositioning the Group's capital base through the transformation of the business. While our operations in Asia continue to be of significant strategic importance to the Group, it was the Committee's view that this measure no longer appropriately incentivised the delivery of sustainable returns achievable across wider markets in which HSBC operates.

Targets have been set to balance stretch and achievability so that awards act as an effective incentive for management, and incentivise outperformance, aligned to our external strategic commitments.

- The minimum threshold for the RoTE measure is aligned to our external commitment of mid-teens RoTE over the medium term.
- The relative TSR peer group was amended for 2023 to include more Asian peers to better reflect our growth and investment focus. No changes have been made for 2024 other than the removal of the Credit Suisse Group following its acquisition by UBS Group.
- Our emissions reduction targets have been set based on meeting our commitments to procure 90% renewable energy by 2025 and halve energy consumption and travel emissions by 2030.
- Our sustainable finance and investments measure is based on our ambition announced in 2020 to provide $750bn to $1tn of financing and investment by 2030. Although the target range is lower than for the 2023–2025 LTI awards, we are on track to meet our 2030 ambition, with changing market conditions slightly impacting our year-on-year trajectory.

The LTI is subject to a risk and compliance modifier, which gives the Committee the discretion to ensure performance targets are delivered with appropriate risk management.

The RoTE measure is subject to a CET1 capital ratio underpin. If the CET1 capital 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.

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

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 the 2024–2026 LTI awards

Measures (weighting)[1]		Minimum (25.0% payout)	Target (50.0% payout)	Maximum (100.0% payout)
RoTE with CET1 capital ratio underpin[2] (37.5%)		**14.0%**	**16.0%**	**17.0%**
Environment[3] (25.0%)	**Carbon reduction (own emissions)**	**66.0%**	**70.0%**	**74.0%**
	Sustainable finance and investment	**$539.0bn**	**$641.0bn**	**$693.0bn**
Relative TSR[4] (37.5%)		**At the median of the peer group**	**Straight-line vesting between minimum and maximum**	**At the upper quartile of the peer group**
Subject to risk and compliance modifier The Group Remuneration Committee retains the discretion to revise down the formulaic outcome taking into account performance against risk and compliance factors during the performance period.				

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, subject to the CET1 capital ratio underpin.*
3 *Carbon reduction will be measured based on percentage reduction in total energy and travel emissions achieved by 31 December 2026 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 2026.*
4 *The peer group for the 2023 award is: Bank of China (Hong Kong), Barclays, BNP Paribas, China Merchants Bank, Citigroup, DBS Group Holdings, J.P. Morgan Chase & Co., Lloyds Banking Group, OCBC Bank, Standard Chartered and UBS Group.*

Annual incentive measures for 2024

The 2024 annual incentive scorecard measures for our executive Directors have been set to incentivise the delivery of the next phase of our strategy.

We have reduced the number of financial measures, reflecting feedback from shareholders to simplify our approach and ensure focus on our key strategic commitments. The weighting of Group RoTE has increased to 25% (from 15% in 2023). The overall weighting of financial measures remains at 60%.

Financial measures will be assessed on a reported basis excluding notable items so that the outcome reflects performance excluding the impact of one-off and items not controlled by management.

Our first net zero transition plan was launched in January 2024 setting out our approach to net zero and the actions we are taking. To support our ambition, a sustainability measure has been added to the annual scorecard, which will be assessed based on the execution of our sustainability commitments against Board approved plans.

Personal measures have been set to ensure meaningful weighting for the most critical objectives for each executive Director.

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 2024 annual incentive scorecard for executive Directors are in the adjacent table.

The targets have been set to reflect the Group's 2024 plan, while considering macroeconomic uncertainty, including the interest rate environment and inflation. 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 in the 2024 Directors' remuneration report.

2024 annual incentive performance measures	Weighting
Financial (all measures subject to CET1 capital ratio underpin, and excluding notable items)	**60.0%**
Profit before tax	15.0%
Operating expenses	15.0%
Group RoTE	25.0%
Asia RoTE	5.0%
Stakeholders	**30.0%**
Customer satisfaction Improvement in NPS scores/rank	15.0%
Employee experience Gender and ethnicity representation and Inclusion index score	10.0%
Execution of our sustainability commitments against Board approved plans	5.0%
Personal measures – Group Chief Executive: Technology transformation and enhanced Board information – Group Chief Financial Officer: Delivery of regulatory change programmes (including regulatory reporting), enhancement of external disclosures and robust liquidity and capital management	**10.0%**
Subject to risk and compliance modifier The Group Remuneration Committee retains the discretion to revise down the formulaic outcome taking into account performance against risk and compliance factors during the performance period.	

Our approach to workforce reward

Our goal is to deliver a unique and exceptional experience to energise colleagues to perform at their best. This is critical to strengthening our ability to attract, retain and motivate the people we need, in competitive markets where employee expectations continue to evolve.

Our approach is centred on our purpose and values, and our reward principles and commitments are:

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

Pay is an important part of our overall proposition. Our focus is improving transparency and clarity for colleagues so they understand better how we make pay decisions.

For 2024, we will introduce a new variable pay structure for over 150,000 junior and middle management colleagues, providing more clarity around the variable pay levels for on-target performance, while retaining flexibility to differentiate outcomes for performance.

We have been certified by the Fair Wage Network as a global Living Wage employer for 2024. This is an important commitment to give colleagues confidence that our fixed pay levels are sufficient to provide financial security.

The section below highlights some of our achievements in 2023.

We will reward you responsibly

78% ▲ up 5% from 2022

of colleagues say pay recommendations determined regardless of personal characteristics

52% ▲ up 9% from 2022

of colleagues say they are paid fairly for what they do

59% same as 2022

of colleagues say my benefits meet my (and my family's) needs well

Many of our colleagues found 2023 to be a challenging year. While inflation has fallen from levels seen in 2022, it remains high across many of our markets, which has resulted in continued pressures on the cost of living.

Fixed pay increases for 2024 were determined based on consistent principles to help address wage inflation in the markets where we operate. Across the Group, there was an overall increase in fixed pay of 4.4%. The level of increases varied by market, depending on the economic situation and individual roles. Increases were targeted towards more junior and middle management colleagues where fixed pay is a larger proportion of overall pay.

We continued to take action outside of our annual cycle to address inflation pressures for colleagues, where the local context required this. In Argentina and Türkiye, we gave our colleagues fixed pay increases throughout the year. In Egypt, we supported our colleagues with a one-off pay adjustment in response to high inflation.

We will recognise your success

81% ▲ up 7% from 2022

of colleagues say they receive feedback helping them improve performance

1.4 million recognitions

the highest since the At Our Best recognition platform was launched in 2015

Over 90% of colleagues have access to share ownership plans globally, with 25% of our global employee population taking part. In the UK, following the maturity of the three-year 2020 Sharesave plan with an option price of £2.627, colleagues benefited from significant share price growth at a time when they needed it most. The 2020 plan had the highest take up rate and contribution level in recent years.

We will support you to grow

78% ▲ up 20% from 2022

of colleagues work flexibly and split their time between home and the workplace

71% ▲ up 3% from 2022

our career index is higher than the financial services benchmark by 6%

Our approach to benefits and well-being balances local market practice with global minimum standards. More than 95% of colleagues have private medical insurance, a retirement plan and life insurance.

Our well-being programme focuses on mental, physical, financial and social well-being. In our employee Snapshot survey, 83% of colleagues said their mental health was positive. HSBC has been ranked top tier for mental health in the global CCLA Corporate Mental Health Benchmark.

We have prioritised supporting colleagues to work flexibly, balancing customer needs, social connection and individual flexibility. Flexible working remains one of the most cited reasons why colleagues would recommend HSBC as a place to work, and a third of new joiners say it is what attracted them to HSBC.

We have delivered a world-class talent marketplace and learning experience platform, providing learning pathways, projects and networking opportunities to more than 200,000 colleagues. An average of 23.9 hours of training was delivered per FTE in 2023.

Remuneration structure for employees

We set out below the key features of our remuneration framework, which applies on a Group-wide basis, subject to compliance with local laws:

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 base 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 colleagues. – 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. – Variable pay represent a higher proportion of total compensation for more senior colleagues 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.
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.
New hire indicative variable pay Support recruitment of key individuals.	– New hire indicative variable pay is awarded in exceptional circumstances, and is limited to an 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 depend on factors such as the seniority of the individual, whether 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.

Remuneration components and objectives (continued)	Application for Group employees	Approach for executive Directors
Deferral Align employee interests with the medium- to long-term strategy, stakeholder interests and values-aligned behaviours.	– A Group-wide deferral approach is applicable to all employees. A portion of annual incentive awards above a specified threshold is deferred in shares vesting annually over a three-year period (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 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, for good leavers, 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.

Committee governance

The Group Chief Executive, the Group Chief Risk and Compliance Officer, the Group Company Secretary and Chief Governance Officer, the Group Chief Human Resources Officer, and the Group Head of Performance, Reward and Employee Relations routinely and selectively attend Committee meetings. As detailed below, the Chair of the Group Remuneration Committee held regular meetings with management, and Committee advisers to discuss specific issues as they arose during the year outside the formal Committee process.

The Committee Secretary regularly met with the Chair to ensure the Committee fulfilled its governance responsibilities, to consider input from stakeholders when finalising meeting agendas and track progress on actions and Committee priorities. The Committee Secretary will continue to support the Chair in ensuring that the Committee has fulfilled its governance responsibilities.

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.

Matters considered during 2023

	Jan	Feb	May	Jun	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							
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 2023. Deloitte provided independent advice to the Committee. Deloitte also provided tax compliance and other advisory services to the Group in 2023. 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 also provides actuarial support to Global Finance, benchmarking data for the wider workforce 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 2023.

For 2023, total fees of £292,800 and £51,492 were incurred in relation to remuneration advice provided by Deloitte and Willis Towers Watson, respectively. This was based on pre-agreed fees and a time-and-materials basis.

Attendees and interaction with other Board committees

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

- Mark Tucker, Group Chairman;
- Elaine Arden, Group Chief Human Resources Officer;
- Georges Elhedery, Group Chief Financial Officer;
- Jenny Craik, Group Head of Performance, Reward and Employee Relations;
- Pam Kaur, Group Chief Risk and Compliance Officer;
- Bob Hoyt, Group Chief Legal Officer; 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 Committee meetings when their own remuneration is discussed.

In addition to the meetings above, the Chair took the opportunity to meet with the Chair of the Group Risk Committee and Group Audit Committee to consider 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

In 2023, the annual review of the effectiveness of the Board committees, including the Group Remuneration Committee, was conducted externally by Ffion Hague, Independent Board Evaluation. The review determined that the Committee continued to operate effectively.

Areas for enhancement were identified, including continued focus on the relationship between the Group and its subsidiary entities, building on the efforts taken under the direction of the Committee Chair, which will be kept under review in 2024.

The outcomes of the evaluation have been reported to the Board, and the Committee will track the progress in implementing recommendations during 2024.

As highlighted in the Board effectiveness review disclosure on page 261, the Board considered that further improvement is required to ensure reporting is succinct and supported by relevant key performance indicators. Further details of the annual review of the Board effectiveness review can be found on pages 260 to 261.

Additional remuneration disclosures

This section provides further information and disclosure in relation to executive Director and wider workforce remuneration as required under the Directors' Remuneration Report Regulations, the UK Corporate Governance Code, 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.

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 major 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 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 are subject to a CET1 underpin to ensure CET1 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 strategy. These include measures related to reducing the environmental impact of our operations, improving customer satisfaction, diversity and inclusion. – Each year senior employees participate in a 360 survey, which gathers feedback on values-aligned behaviours from peers, direct reports, skip level reports and managers.

Link between risk, performance and reward

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

We set out below the key features of our framework, which enable us to align 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 and non-financial 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, considering 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	– 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; and risk and compliance measures. – A mandatory global risk and compliance objective is included for all other employees. 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	– 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. – The performance and reward of individuals in control functions, including risk and compliance colleagues, 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. – Remuneration is carefully benchmarked with the market and internally to ensure it is set at an appropriate level. – The Committee is responsible for approving the remuneration for the Group Chief Risk and Compliance Officer and Group Head of Internal Audit.

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.
	– Clawback can also be applied to vested or paid awards granted to designated Executive Officers as defined by the US Securities and Exchange Commission ('SEC') for a period of three years in the event of an accounting restatement due to material non-compliance with any financial reporting requirement under the US securities laws.

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.

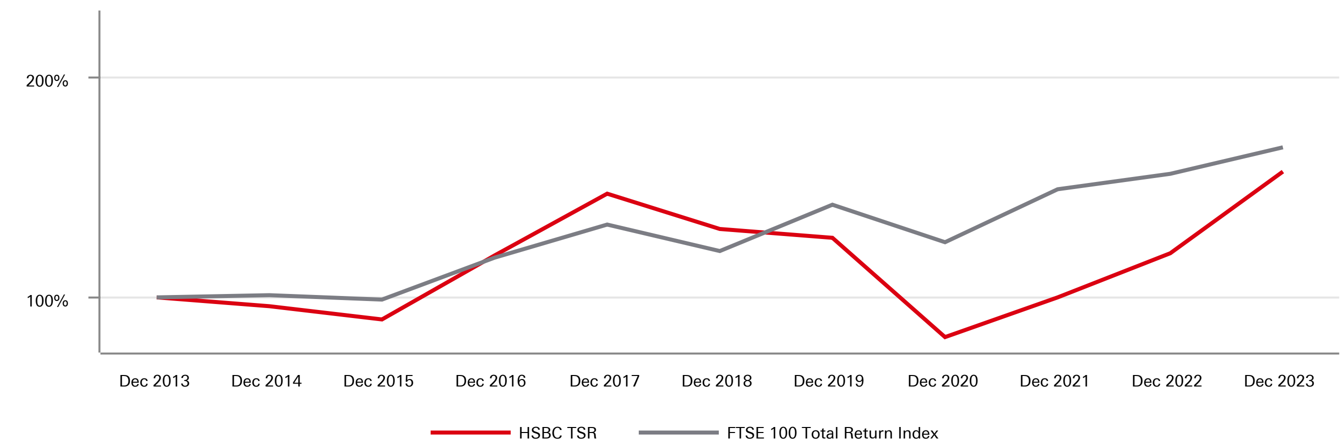
Identification of MRTs	– We identify individuals as MRTs based on qualitative and quantitative criteria set out in the PRA's and FCA's Remuneration Rules. Our identification process is underpinned by the following key principles:
	  – MRTs are identified at Group, HSBC Bank (consolidated) and HSBC UK Bank level.
	  – MRTs are also identified at other solo regulated entity level as required by the regulations.
	  – When identifying an MRT, HSBC considers a colleague'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 Remuneration Rules.

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 2023.

The FTSE 100 Total Return Index has been chosen as a recognised broad equity market index of which HSBC Holdings is a member.

HSBC TSR and FTSE 100 Total Return Index



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.

	2014	2015	2016	2017	2018		2019		2020	2021	2022	**2023**
Group Chief Executive	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	John Flint	John Flint	Noel Quinn	Noel Quinn	Noel Quinn	Noel Quinn	**Noel Quinn**
Total single figure £000	7,619	7,340	5,675	6,086	2,387	4,582	2,922	1,977	4,154	4,895	5,562	**10,641**
Annual incentive[1] (% of maximum)	54%	45%	64%	80%	76%	76%	61%	66%	32%	57%	75%	**70%**
Long-term incentive[1,2,3] (% of maximum)	44%	41%	–%	–%	100%	–%	–%	–%	–%	–%	–%	**75%**

1 *The 2012 annual incentive figure for Stuart Gulliver included 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 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 of remuneration 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 2014 to 2015 are therefore related to awards granted in 2015 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. 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 received the 2021–2023 LTI award that had a performance period which ended on 31 December 2023. This was the first LTI award granted to him as Group Chief Executive.*

Voting results from Annual General Meeting

2023 Annual General Meeting voting results

	For	**Against**	**Withheld**
Remuneration report (votes cast)	**79.75%**	**20.25%**	**—**
	8,251,001,243	**2,094,952,768**	**32,990,533**
Remuneration policy (votes cast from 2022 Annual General Meeting)	**95.73 %**	**4.27 %**	**—**
	7,666,488,029	**342,320,697**	**7,773,468**

As set out in the Committee Chair's letter, the Committee reflected on feedback from investors following the vote on the implementation of our current policy at last year's AGM. We explained in our statements of 5 May 2023 and 3 November 2023 that our largest shareholder voted against the Board's recommendations on a number of resolutions including the Directors' remuneration report, which impacted the results of these resolutions.

The Board was pleased that a large majority of shareholders voting at the AGM supported HSBC's strategy. The Committee Chair has met with several of our large institutional investors and proxy advisory firms since the AGM, and there remains strong support for the current remuneration policy.

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 and benefits for the Group Chief Executive is the single figure of remuneration for Noel Quinn. The increase in median ratio is primarily driven by the vesting of the 2021–2023 long-term incentive ('LTI'), which is the first he has received as Group Chief Executive. Excluding the LTI vesting in respect of the year, the ratio remained broadly in line with prior years at 86:1 at median.

Total pay ratio

	Method	Lower quartile	Median	Upper quartile
2023	A	291:1	169:1	88:1
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
2023	A	36,528	27,680	63,000	45,536	121,223	89,506
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 total pay and benefits for the median employee for 2023 was £63,000, an 8.1% increase compared with 2022.

Our UK workforce comprises a diverse mix of colleagues 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 colleagues 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 remuneration 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 and progression policies for our UK workforce, taking into account the diverse mix of our UK employees, the pay 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 2023. 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 33,000 UK employees, other than the Group Chief Executive. We calculated our pay quartiles and benefits information for our UK employees using:

- full-time equivalent annualised fixed pay, which includes base salary and allowances, at 31 December 2023;
- variable pay awards for 2023;
- 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 2023. 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.

The reported ratios may not be comparable to our international and listed peers on the FTSE 100, given differences in business mix and size; employment and compensation practices; methodologies for computing pay ratios; and assumptions used by companies.

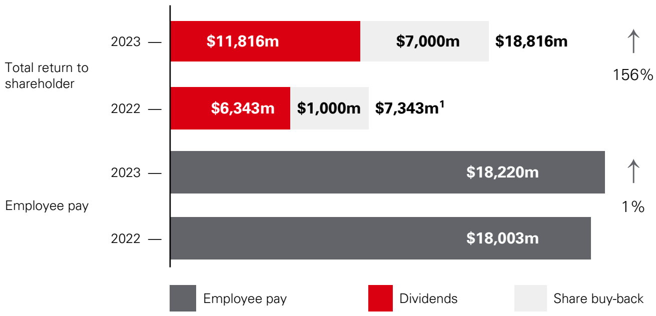
Relative importance of spend on pay

The following chart shows the change in:

- total employee pay between 2022 and 2023; and
- dividends and share buy-backs in respect of 2022 and 2023.

In 2023, total spend on pay was slightly higher than in 2022. The total return to shareholders increased by 156% compared with 2022, reflecting a higher dividend and $7bn of capital return to shareholders through share buy-backs, which included the up to $3bn buy-back announced at our third quarter of 2023 results. In addition, the Group has announced the intention to initiate a further up to $2bn buy-back. Dividends include an approximation of the amount payable in April 2024 in relation to the fourth interim dividend of $0.31 per ordinary share.

Relative importance of spend on pay



1 *In our* Annual Report and Accounts 2022, *we disclosed that the total return to shareholders was $9,144m, of which $8,144m related to dividends in 2022. This was an error and has been corrected in the chart above.*

Comparison of Directors' and employees' pay

The following table compares the changes in each Director's base salary, taxable benefits and annual incentive between 2020 and 2023 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 2020 and 2023. 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 2020, 2021, 2022 and 2023 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. Page 301 provides the underlying single figure of remuneration for non-executive Directors used to calculate the figures above.

Non-executive Directors who joined after 1 January 2023 are not included, which includes Ann Godbehere, Kalpana Morparia, Brendan Nelson and Swee Lian Teo.

Annual percentage change in remuneration

	Base salary/fees				Benefits				Annual incentive			
Director/employees	2023	2022	2021	2020	2023	2022	2021	2020	2023	2022	2021	2020
Executive Directors												
Noel Quinn[1,2]	**0.5**	3.2	1.7	151.7	**6.7**	25.3	(48.9)	353.7	**(6.7)**	36.1	99.0	20.2
Georges Elhedery[3]	**—**	—	—	—	**—**	—	—	—	**—**	—	—	—
Non-executive Directors												
Geraldine Buckingham[4]	**57.4**	—	—	—	**—**	—	—	—	**—**	—	—	—
Rachel Duan[5,6]	**8.4**	235.8	—	—	**(100.0)**	—	—	—	**—**	—	—	—
Dame Carolyn Fairbairn[6,7]	**5.3**	231.1	—	—	**(100.0)**	—	—	—	**—**	—	—	—
James Forese[8]	**10.2**	20.5	257.5	—	**—**	—	—	—	**—**	—	—	—
Steven Guggenheimer[9]	**0.8**	4.8	86.6	—	**(90.0)**	—	—	—	**—**	—	—	—
José Antonio Meade Kuribreña[10]	**0.8**	8.5	10.4	28.7	**(71.4)**	—	(100.0)	100.0	**—**	—	—	—
Eileen Murray[5]	**10.7**	(1.5)	121.7	—	**—**	—	—	—	**—**	—	—	—
David Nish	**0.4**	(1.0)	0.4	108.7	**(13.6)**	120.0	25.0	(50.0)	**—**	—	—	—
Jackson Tai[10,11]	**(65.0)**	7.7	(1.4)	(10.8)	**(24.0)**	—	(100.0)	(78.9)	**—**	—	—	—
Mark Tucker	**—**	—	—	—	**(54.9)**	242.4	(36.5)	(77.5)	**—**	—	—	—
Employee group[12]	**5.0**	**3.1**	**1.0**	**2.0**	**5.7**	**7.0**	**1.3**	**2.3**	**11.7**	**3.7**	**25.2**	**(20.0)**

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

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

3 *Georges Elhedery succeeded Ewen Stevenson as Group Chief Financial Officer with effect from 1 January 2023. Year-on-year comparison for Georges Elhedery will be available from 2024 onwards.*

4 *Geraldine Buckingham joined the Board on 1 May 2022.*

5 *Rachel Duan and Eileen Murray were appointed members of the Group Audit Committee on 1 June 2022.*

6 *Rachel Duan and Dame Carolyn Fairbairn did not receive taxable benefits in 2023, resulting in a 100% reduction in benefits from the prior year.*

7 *Dame Carolyn Fairbairn was appointed as Chair of the Group Remuneration Committee effective 29 April 2022.*

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

9 *Steven Guggenheimer joined the Board on 1 May 2020 and therefore received fees for only part of 2020.*

10 *José Antonio Meade Kuribreña and Jackson Tai did not receive taxable benefits in 2021, resulting in a 100% reduction in benefits from the prior year.*

11 *Jackson Tai retired from the Board on 5 May 2023.*

12 *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.*

Scheme interests awarded during 2023

(Audited)

The table below sets out the scheme interests granted to executive Directors during 2023 in respect of the 2022 performance year, as disclosed in the 2022 Directors’ remuneration report. No non-executive Directors received scheme interests during the financial year. The below table includes details of immediate shares and fixed pay allowances in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Scheme awards in 2023

(Audited)

	Type of interest awarded	Basis on which award made	Date of award	Face value awarded £000	Percentage receivable for minimum performance	Number of shares awarded	End of performance period
Noel Quinn	LTI deferred shares[1]	% of base salary	**27 February 2023**	**5,476**	**25**	**861,422**	**31 December 2025**
	Immediate shares[2]	% of base salary	**27 February 2023**	**1,082**	**N/A**	**170,206**	**31 December 2022**
	Fixed pay allowance[3]	N/A	**15 May 2023**	**300**	**N/A**	**50,080**	**N/A**
			21 August 2023	**300**	**N/A**	**51,435**	**N/A**
			7 November 2023	**300**	**N/A**	**49,291**	**N/A**
Georges Elhedery	LTI deferred shares[1]	% of base salary	**27 February 2023**	**1,599**	**25**	**251,474**	**31 December 2025**
	Immediate shares[2]	% of base salary	**27 February 2023**	**716**	**N/A**	**112,568**	**31 December 2022**
	Fixed pay allowance[3]	N/A	**15 May 2023**	**192**	**N/A**	**31,962**	**N/A**
			21 August 2023	**192**	**N/A**	**32,827**	**N/A**
			7 November 2023	**192**	**N/A**	**31,459**	**N/A**

1 *In accordance with the remuneration policy approved by shareholders at the 2022 AGM, the LTI award was determined at 320% of base salary for Noel Quinn and 160% of base salary for Georges Elhedery. The number of shares to be granted was determined by taking HSBC’s closing share price of £6.357 taken on 24 February 2023, and applying a discount based on HSBC’s expected dividend yield of 5% per annum for the vesting period (£4.963). 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. Awards are subject to malus and clawback for a maximum period of 10 years from the date of the award and are not eligible for dividend equivalents.*

2 *Immediate share awards are granted based on the previous years' performance as part of the annual incentive and are not subject to forward-looking performance conditions. On vesting, awards will be subject to a one-year retention period. The face value of the immediate share awards have been computed using HSBC’s closing share price of £6.357 taken on 24 February 2023. Awards are subject to clawback for a maximum period of 10 years from the date of the award.*

3 *Fixed pay allowance awards are granted in instalments in accordance with the remuneration policy approved by shareholders at the 2022 AGM, and are not subject to forward-looking performance conditions. Individual tax liabilities were satisfied in cash, therefore the face value awarded represents the net of tax value of the shares and the number of shares awarded reflects the net of tax number of shares. The fixed pay allowance awards have been computed using HSBC's closing share price of £5.997 taken on 12 May 2023, £5.839 taken on 18 August 2023 and £6.093 taken on 6 November 2023. These awards vest immediately and are subject to a retention period and released annually on pro-rata basis over five years, starting in March 2024.*

Performance conditions for the 2023–2025 LTI awards

(Audited)

Measures (weighting)[1]		Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)
RoTE (with CET1 capital ratio underpin)[2] (25.0%)		**13.0%**	**14.3%**	**15.5%**
Capital reallocation to Asia (with CET1 capital ratio underpin)[3] (25.0%)		**49.0%**	**50.5%**	**52.0%**
Environment and sustainability[4] (25.0%)	**Carbon reduction**	**64.0%**	**68.0%**	**72.0%**
	Sustainable finance and investment	**$588.0bn**	**$700.0bn**	**$756.0bn**
Relative TSR[5] (25.0%)		**At median of the peer group**	**Straight-line vesting between minimum and maximum**	**At upper quartile of peer group**

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.*

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 2025.*

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, J.P. Morgan Chase & Co., Lloyds Banking Group, OCBC Bank, Standard Chartered and UBS Group.*

Executive Directors' interests in shares

(Audited)

The shareholdings of executive Directors in 2023, including the shareholdings of their connected persons, at 31 December 2023 (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 2023 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) can count towards their shareholding requirement under the shareholder-approved policy.

The Committee reviews compliance with the shareholding 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.

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)

			At 31 December 2023			
				Scheme interests		
					Shares awarded subject to deferral[1]	
	Shareholding guidelines (% of salary)	**Shareholding at 31 Dec 2023[2] (% of salary)**	**Share interests (number of shares)**	**Share options[3]**	**without performance conditions**	**with performance conditions[4]**
Executive Directors						
Noel Quinn[5]	400%	**797%**	**1,721,465**	**—**	**308,610**	**2,963,315**
Georges Elhedery[5]	300%	**598%**	**753,467**	**—**	**714,008**	**475,463**

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 2023 (£6.192), and does not include any unvested interests.*
3 *At 31 December 2023, Noel Quinn and Georges Elhedery did not hold any options under the HSBC Holdings Savings-Related Share Option Plan (UK).*
4 *LTI awards granted in February 2022 and 2023 are subject to the performance conditions as set out in the preceding sections.*
5 *Executive Directors are expected to meet their shareholding guidelines within five years of the date of their appointment. Noel Quinn and Georges Elhedery were appointed on 5 August 2019 and 1 January 2023, 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
Georges Elhedery	1 January 2023	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)

HSBC has received a formal request from the former employer of Ewen Stevenson to reduce the buy-out award granted to him in 2019 by £82,980, which will be offset against the next available vesting for this award. The reduction will be made in line with PRA regulations, acting on the decision made by Ewen Stevenson's former employer. We understand the reduction was part of a collective adjustment and there are no concerns over Ewen Stevenson's conduct or the discharge of his individual accountabilities.

Payments Ewen Stevenson received after he stepped down as an executive Director are set out in the following section.

In line with the terms of his departure disclosed in our *Annual Report and Accounts 2022*, Ewen Stevenson was granted good leaver status and is therefore eligible to receive vesting of the 2021–2023 LTI award, which was pro-rated for time in employment. Ewen's good leaver status is conditional upon satisfaction of non-compete provisions under which he cannot undertake a role with a defined list of competitor financial services firms for 12 months after his employment ceases with HSBC. Details of the 2021–2023 LTI outcome are outlined on page 286.

No other 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 left the Group on 30 April 2023.

In accordance with the approved Directors' remuneration policy and contractual terms agreed for the period between 1 January 2023 and 25 October 2023, Ewen received payments totalling £703,519 in lieu of his base salary and pension allowance. Ewen also received his fixed pay allowance in respect of the same period, which totalled £885,836 and was awarded in immediately vested shares, which are subject to a retention period. In accordance with the approved Directors' remuneration policy, Ewen received cash in lieu of unused holiday totalling £73,621 on expiry of his notice period.

External appointments

During 2023, executive Directors did not receive any fees from external appointments.

Directors' emoluments

The details of compensation paid to executive and non-executive Directors for the year ended 31 December 2023 are set out below:

Emoluments

	Noel Quinn		Georges Elhedery		Non-executive Directors[1]	
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Directors' base salary, allowances and benefits in kind	**3,386**	3,367	**1,999**	—		
Non-executive Directors' fees and benefits in kind					**4,920**	4,644
Pension contributions	**—**	—	**—**	—	**—**	—
Performance-related pay paid or receivable[2]	**6,293**	6,439	**3,783**	—	**—**	—
Inducements to join paid or receivable	**—**	—	**—**	—	**—**	—
Compensation for loss of office	**—**	—	**—**	—	**—**	—
Notional return on deferred cash	**43**	31	**6**	—	**—**	—
Total	**9,722**	9,837	**5,788**	—	**4,920**	4,644
Total ($000)	**12,083**	12,226	**7,194**	—	**6,115**	5,772

1 *Fees and benefits in kind for 2022 reflects the population as per the single figure table for non-executive Directors, which excludes individuals who have stepped down from the Board during 2022.*
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 2023 was $25,391,977. 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, where applicable).

Total benefits in kind of £25,304 ($31,450) were provided to Ewen Stevenson until he left the Group. This included income protection benefits valued at £16,414 ($20,401), life assurance benefits of £935 ($1,162) and other non-taxable expenses of £7,955 ($9,887).

Post-employment medical insurance benefits were provided to former Directors, including Douglas Flint valued at £6,721 ($8,354), Stuart Gulliver valued at £6,721 ($8,354), John Flint valued at £9,706 ($12,064), Marc Moses valued at £15,886 ($19,745) and Ewen Stevenson valued at £377 ($469). Tax return support was also provided to John Flint valued at £5,441 ($6,763), Marc Moses valued at £2,500 ($3,107) and Ewen Stevenson valued at £1,320 ($1,641).

The total aggregate value of benefits provided to former executive Directors was £73,976 ($91,945). The aggregate value of Director retirement benefits for current Directors is nil. Amounts are converted into US dollars based on the average exchange rates for the year.

There were payments under retirement benefit arrangements with three former Directors of £1,381,674. The provision at 31 December 2023 in respect of unfunded pension obligations to two former Directors amounted to £340,208. This relates to unfunded unapproved retirement benefits schemes.

Emoluments of senior management and five highest paid employees

The following tables set out the 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 2023, or for the period of appointment in 2023 as a Director or member of the Group Executive Committee. Details of the remuneration paid and share awards granted to the five highest paid employees, comprising one executive Director and four Group Executives for the year ended 31 December 2023, are also presented.

Five highest paid employees – share awards (HSBC Share Plan 2011)

				HSBC Holdings ordinary share awards					
Dates of award	Purchase price (£)	Usually vesting from	to	**At 1 Jan 2023**	**Granted in period**	**Vested in period[1]**	**Lapsed in period**	**Cancelled in period**	**At 31 Dec 2023**
2013 to 2022	0	1 Mar 2023	30 Mar 2029	**5,603,050**	**—**	**445,705**	**—**	**—**	**5,157,345**
27 Feb 2023[2]	0	27 Feb 2023	30 Mar 2030	**—**	**2,533,801**	**687,935**	**—**	**—**	**1,845,866**
15 May 2023[3]	0	15 May 2023	15 May 2023	**—**	**50,080**	**50,080**	**—**	**—**	**—**
21 Aug 2023[4]	0	21 Aug 2023	21 Aug 2023	**—**	**51,435**	**51,435**	**—**	**—**	**—**
7 Nov 2023[5]	0	7 Nov 2023	7 Nov 2023	**—**	**49,291**	**49,291**	**—**	**—**	**—**
1 Jan to 31 Dec 2023[6]	0	1 Mar 2023	30 Mar 2024	**—**	**3,345**	**982**	**—**	**—**	**2,363**
				5,603,050	**2,687,952**	**1,285,428**	**—**	**—**	**7,005,574**

1 *The weighted average closing price of the shares immediately before the dates on which the awards were vested was £5.9681.*
2 *The closing price on the day before the grant date was £6.3570. The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair values, which vary based on the length of the vesting period, range between £2.8390 and £6.3180. These awards include LTI awards and other awards which are subject to satisfaction of performance conditions. LTI awards are subject to a combination of financial and non-financial metrics that are detailed in the Directors' remuneration report in the* Annual Report and Accounts.
3 *The closing price on the day before the grant date was £5.9970. The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair value of the award was £6.1100.*
4 *The closing price on the day before the grant date was £5.8390. The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair value of the award was £5.8330.*
5 *The closing price on the day before the grant date was £6.093. The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair value of the award was £6.0830.*

6 *Relates to the allocation of dividend equivalent shares in relation to eligible awards.*

Emoluments

£000s	Five highest paid employees	Senior management
Basic salaries, allowances and benefits in kind	13,357	38,960
Pension contributions	100	640
Performance-related pay paid or receivable[1]	24,259	59,286
Inducements to join paid or receivable	—	—
Compensation for loss of office	—	—
Total	**37,716**	**98,886**
Total ($000)	**46,877**	**122,906**

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

Emoluments by bands

Hong Kong dollars	US dollars	Number of highest paid employees	Number of senior management
$19,000,001 – $19,500,000	$2,426,967 – $2,490,834	—	1
$22,500,001 – $23,000,000	$2,874,040 – $2,937,907	—	1
$25,000,001 – $25,500,000	$3,193,377 – $3,257,245	—	1
$38,000,001 – $38,500,000	$4,853,933 – $4,917,801	—	1
$41,000,001 – $41,500,000	$5,237,139 – $5,301,006	—	1
$42,000,001 – $42,500,000	$5,364,874 – $5,428,741	—	1
$42,500,001 – $43,000,000	$5,428,741 – $5,492,609	—	2
$48,000,001 – $48,500,000	$6,131,284 – $6,195,152	—	1
$49,000,001 – $49,500,000	$6,259,019 – $6,322,887	—	1
$51,500,001 – $52,000,000	$6,578,357 – $6,642,224	—	1
$56,000,001 – $56,500,000	$7,153,165 – $7,217,032	—	2
$59,000,001 – $59,500,000	$7,536,370 – $7,600,238	—	1
$61,000,001 – $61,500,000	$7,791,840 – $7,855,708	1	1
$63,500,001 – $64,000,000	$8,111,178 – $8,175,046	1	1
$72,500,001 – $73,000,000	$9,260,794 – $9,324,661	1	1
$75,000,001 – $75,500,000	$9,580,132 – $9,643,999	1	1
$94,000,001 – $94,500,000	$12,007,098 – $12,070,966	1	1

Non-executive Directors

(Audited)

The following table shows the total fees and benefits of non-executive Directors for 2023, together with comparative figures for 2022.

Fees and benefits

(Audited)	Fees[1]		Benefits[2]		Total	
(£000)	**2023**	2022	**2023**	2022	**2023**	2022
Geraldine Buckingham	**244**	155	**5**	—	**249**	155
Rachel Duan	**244**	225	**—**	5	**244**	230
Dame Carolyn Fairbairn	**279**	265	**—**	1	**279**	266
James Forese[3]	**759**	689	**1**	—	**760**	689
Ann Godbehere[4]	**68**	—	**—**	—	**68**	—
Steven Guggenheimer	**264**	262	**1**	10	**265**	272
José Antonio Meade Kuribreña	**244**	242	**4**	14	**248**	256
Kalpana Morparia[5]	**170**	—	**—**	—	**170**	—
Eileen Murray[6]	**290**	262	**3**	—	**293**	262
Brendan Nelson[7]	**81**	—	**12**	—	**93**	—
David Nish	**479**	477	**19**	22	**498**	499
Jackson Tai[8]	**132**	377	**19**	25	**151**	402
Swee Lian Teo[9]	**51**	—	**—**	—	**51**	—
Mark Tucker	**1,500**	1,500	**51**	113	**1,551**	1,613
Total (£000)	**4,805**	4,454	**115**	190	**4,920**	4,644
Total ($000)	**5,972**	5,536	**143**	236	**6,115**	5,772

1 *Fees are in line with the Directors' remuneration policy that was approved at the 2022 AGM. Non-executive Directors receive a pro-rata payment of £4,000 travel allowance per annum.*
2 *Benefits include taxable expenses such as accommodation, travel and subsistence relating to attendance at Board and other meetings at HSBC Holdings' registered offices. Tax for non-executive Director benefits is met by HSBC, therefore amounts disclosed have been grossed up using a tax rate of 47%, where relevant.*
3 *Appointed as Chair of the Group Risk Committee on 5 May 2023. Stepped down as a member of the Group Remuneration Committee and joined the Group Audit Committee as a member on 5 May 2023. Includes fee of £443,000 (2022: £447,000) in relation to his role as Chair of HSBC North America Holdings, Inc.*
4 *Appointed to the Board, Nomination & Corporate Governance Committee and Group Remuneration Committee on 1 September 2023.*
5 *Appointed to the Board, Nomination & Corporate Governance Committee and Group Risk Committee on 1 March 2023.*
6 *Appointed as a member of the Group Remuneration Committee on 5 May 2023.*
7 *Appointed to the Board, Nomination & Corporate Governance Committee, Group Audit Committee and Group Risk Committee on 1 September 2023.*
8 *Retired from the Board and retired as Chair of the Group Risk Committee and member of the Group Audit Committee and member of the Nomination & Corporate Governance Committee on 5 May 2023.*
9 *Appointed to the Board, Nomination & Corporate Governance Committee and Group Risk Committee on 1 October 2023.*

Non-executive Directors’ interests in shares

(Audited)

The shareholdings of persons who were non-executive Directors in 2023, including the shareholdings of their connected persons, at 31 December 2023, or date of cessation as a Director if earlier, are set out below. There have been no changes in the shareholdings of the non-executive Directors from 31 December 2023 to the date of this report.

Non-executive Directors are expected to meet the shareholding guidelines of 15,000 shares 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 2023 met the guidelines.

Shares

	Shareholding guidelines (number of shares)	**Share interests (number of shares)**
Geraldine Buckingham	15,000	**15,000**
Rachel Duan	15,000	**15,000**
Dame Carolyn Fairbairn	15,000	**15,000**
James Forese	15,000	**115,000**
Ann Godbehere (appointed to the Board on 1 September 2023)	15,000	**15,000**
Steven Guggenheimer	15,000	**15,000**
José Antonio Meade Kuribreña	15,000	**15,000**
Kalpana Morparia (appointed to the Board on 1 March 2023)	15,000	**15,000**
Eileen Murray	15,000	**75,000**
Brendan Nelson (appointed to the Board on 1 September 2023)	15,000	**—**
David Nish	15,000	**50,000**
Jackson Tai (retired on 5 May 2023)	15,000	**66,515**
Swee Lian Teo (appointed to the Board on 1 October 2023)	15,000	**15,200**
Mark Tucker	15,000	**307,352**

2024 fees for non-executive Directors

Following a review of fees during 2023, and in accordance with the shareholder approved Directors’ Remuneration Policy at the Company’s 2022 Annual General Meeting, the Board approved increases to certain of the fees payable to the non-executive Directors and for roles on the Board Committees with effect from 1 January 2024. As a result, each non-executive Director receives a fee of £136,500 per annum. The separate travel allowance of £4,000 per annum has been incorporated within this fee – a separate travel allowance is no longer paid. The fees paid to non-executive Directors who are standing for election or re-election as members of Board Committees are set out in the table below (these Board Committees’ fees and Board fees are pro-rated for part year service where relevant).

Position		**2024 fees £**
Non-executive Group Chairman[1]		**1,500,000**
Non-executive Director (base fee)		**136,500**
Senior Independent Director		**200,000**
Group Risk Committee	Chair	**150,000**
	Member	**42,000**
Group Audit Committee, Group Remuneration Committee and Group Technology Committee	Chair	**78,750**
	Member	**42,000**
Nomination & Corporate Governance Committee	Chair	**—**
	Member	**34,650**
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.*

Non-executive Director appointment and re-election

Non-executive Directors and the Chair 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 and the Chair 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’ or Chair's letters of appointment that could give rise to remuneration payments or payments for loss of office.

2024 AGM	**2025 AGM**	**2026 AGM**
James Forese	Rachel Duan	Geraldine Buckingham
Ann Godbehere[1]	Dame Carolyn Fairbairn	Kalpana Morparia
Steven Guggenheimer	José Antonio Meade Kuribreña	
Eileen Murray		
Brendan Nelson[1]		
Swee Lian Teo[1]		

1 *Ann Godbehere, Brendan Nelson and Swee Lian Teo were appointed following the 2023 AGM and therefore their initial three-year appointment terms are subject to approval of their election by shareholders at the 2024 AGM. Their initial three-year term of appointment will end at the conclusion of the 2027 AGM, subject to annual re-election by shareholders at the relevant AGMs.*

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 2023 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	13.0	2.0	16.9	1,238.0
	Total fixed pay ($m)	5.9	6.7	39.8	690.3
	– *of which: cash-based ($m)*[1]	*5.9*	*3.2*	*39.8*	*690.3*
	– *of which: shares or equivalent ownership interests ($m)*[2]	—	*3.5*	—	—
	– *of which: share-linked instruments or equivalent non-cash instruments ($m)*	—	—	—	—
	– *of which: other instruments ($m)*	—	—	—	—
	– *of which: other forms ($m)*	—	—	—	—
Variable remuneration[3]	Number of identified staff	13.0	2.0	16.9	1,238.0
	Total variable remuneration ($m)[4]	—	15.6	67.4	740.2
	– *of which: cash-based ($m)*	—	*2.1*	*30.5*	*371.2*
	– *of which: deferred ($m)*	—	—	*18.3*	*174.5*
	– *of which: shares or equivalent ownership interests ($m)*[2]	—	*13.5*	*36.9*	*354.6*
	– *of which: deferred ($m)*	—	*11.5*	*24.7*	*201.6*
	– *of which: share-linked instruments or equivalent non-cash instruments ($m)*	—	—	—	*10.1*
	– *of which: deferred ($m)*	—	—	—	*5.6*
	– *of which: other instruments ($m)*	—	—	—	—
	– *of which: deferred ($m)*	—	—	—	—
	– *of which: other forms ($m)*	—	—	—	*4.3*
	– *of which: deferred ($m)*	—	—	—	*2.7*
Total remuneration ($m)		5.9	22.3	107.2	1,430.5

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 2023. 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. HSBC has continued to use the discount rate previously published as PRA remuneration rule 15.13 for 17 individuals for the purpose of calculating the ratio between fixed and variable components of 2023 total remuneration.*
4 *26 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)	—	—	—	37.0
– *of which paid during the financial year ($m)*	—	—	—	*32.8*
– *of which deferred ($m)*	—	—	—	—
– *of which severance payments paid during the financial year, that are not taken into account in the bonus cap ($m)*	—	—	—	*37.0*
– *of which highest payment that has been awarded to a single person ($m)*	—	—	—	*3.4*

1 *No guaranteed variable remuneration was awarded in 2023. 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	**52.4**	***12.0***	***40.4***	**-2.3**	**—**	**3.7**	**6.3**	**4.2**
Cash-based	**7.5**	***1.0***	***6.5***	—	—	—	**1.0**	—
Shares	**44.9**	***11.0***	***33.9***	**-2.3**	—	**3.7**	**5.3**	**4.2**
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other senior management	**149.0**	***20.1***	***128.9***	—	—	**12.3**	**19.7**	**5.1**
Cash-based	**51.4**	***6.6***	***44.8***	—	—	—	**6.5**	—
Shares	**97.2**	***13.1***	***84.1***	—	—	**12.3**	**12.8**	**4.9**
Share-linked instruments	**0.4**	***0.4***	—	—	—	—	**0.4**	**0.2**
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other identified staff	**1,097.3**	***301.4***	***795.9***	—	—	**63.7**	**290.5**	**54.9**
Cash-based	**408.0**	***89.0***	***319.0***	—	—	—	**87.7**	—
Shares	**663.6**	***200.2***	***463.4***	—	—	**60.7**	**192.9**	**50.2**
Share-linked instruments	**15.3**	***7.9***	***7.4***	—	—	**2.0**	**7.7**	**3.5**
Other instruments	—	—	—	—	—	—	—	—
Other forms	**10.4**	***4.3***	***6.1***	—	—	**1.0**	**2.2**	**1.2**
Total amount	**1,298.7**	***333.5***	***965.2***	**-2.3**	**—**	**79.7**	**316.5**	**64.2**

1 *This table provides details of balances and movements during performance year 2023. For details of variable pay awards granted for 2023, 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	**260**
€1,500,000 – 2,000,000	**125**
€2,000,000 – 2,500,000	**54**
€2,500,000 – 3,000,000	**20**
€3,000,000 – 3,500,000	**14**
€3,500,000 – 4,000,000	**6**
€4,000,000 – 4,500,000	**8**
€4,500,000 – 5,000,000	**7**
€5,000,000 – 6,000,000	**8**
€6,000,000 – 7,000,000	**3**
€7,000,000 – 8,000,000	**4**
€8,000,000 – 9,000,000	**—**
€9,000,000 – 10,000,000	**2**
€10,000,000 – 11,000,000	**—**
€11,000,000 – 12,000,000	**—**
€12,000,000 – 13,000,000	**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										1,269.9
– *of which members of the Board*	*13.0*	*2.0*	*15.0*							
– *of which senior management*				*1.0*	*2.0*	—	*5.9*	*2.0*	*6.0*	
– *of which other identified staff*				*506.5*	*298.0*	*31.0*	*153.0*	*180.9*	*68.6*	
Total remuneration of identified staff ($m)	5.9	22.3	28.2	712.7	305.9	40.9	200.7	141.2	136.3	
– *of which variable remuneration ($m)*[1]	—	*15.6*	*15.6*	*392.0*	*155.6*	*21.6*	*100.5*	*63.8*	*74.1*	
– *of which fixed remuneration ($m)*	*5.9*	*6.7*	*12.6*	*320.7*	*150.3*	*19.3*	*100.2*	*77.4*	*62.2*	

1 *Variable pay awarded in respect of 2023. 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.*

Share plan matters considered by the Group Remuneration Committee

The Group Remuneration Committee and its delegates considered various matters relating to the HSBC share plans during the financial year.

The HSBC International Employee Share Purchase Plan ('ShareMatch') and The HSBC Holdings Savings-Related Share Option Plan (UK) ('Sharesave') were offered in 2023. ShareMatch was offered in the Philippines for the first time. The HSBC variable pay deferral approach for the 2023 performance year was approved, for which certain minor updates were made to comply with legal and regulatory requirements. The structure and quantum of LTI awards for the executive Directors and members of the Group Executive Committee were approved for the 2023 performance year. Other awards with performance conditions were approved for certain strategically important projects during 2023.

Certain awards were granted to executive Directors or senior managers with vesting periods of less than 12 months:

– Fixed pay allowance awards were granted to executive Directors in accordance with the approved Directors' remuneration policy, which vest immediately and are subject to a retention period. These awards are not subject to clawback on the basis that they form part of the executive Directors' fixed pay. The awards were granted under the HSBC Share Plan 2011.

– Immediate share awards were granted to executive Directors and senior managers in compliance with our regulatory requirements to deliver a portion of non-deferred variable pay in instruments. These awards vest immediately, and are subject to a retention period and clawback provisions.

Share capital and other related governance disclosures

Share buy-back programme

On 10 May 2023, HSBC Holdings commenced a share buy-back programme of its ordinary shares of $0.50 each up to a maximum consideration of $2.0bn. This programme concluded on 27 July 2023, with 129,000,963 ordinary shares repurchased for cancellation on UK trading venues and 128,774,800 ordinary shares repurchased for cancellation on The Stock Exchange of Hong Kong Limited ('HKEx').

On 3 August 2023, HSBC Holdings commenced a further share buy-back programme of its ordinary shares of $0.50 each up to a maximum consideration of $2.0bn. This programme concluded on 26 October 2023, with 129,814,790 ordinary shares repurchased for cancellation on UK trading venues and 129,109,200 ordinary shares repurchased for cancellation on HKEx.

On 1 November 2023, HSBC Holdings commenced a further share buy-back programme of its ordinary shares of $0.50 each up to a maximum consideration of $3.0bn.

As at 31 December 2023, 143,374,864 ordinary shares had been repurchased on UK trading venues and 100,547,200 ordinary shares were repurchased on HKEx.

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

As at 31 December 2023, the total number of ordinary shares repurchased during the year was 760,621,817, representing a nominal value of $380,310,908.50 and an aggregate consideration paid by HSBC of £2,470,004,997 on UK trading venues and HK$21,646,177,512 on HKEx. The shares repurchased represent 3.95% of the shares in issue. Of the repurchased shares, 44,237,528 were awaiting cancellation as at 31 December 2023.

The table that follows outlines details of the shares repurchased and cancelled on a monthly basis during 2023.

First share buy-back on UK trading venues in 2023	Number of shares repurchased and cancelled	Highest price paid per share £	Lowest price paid per share £	Average price paid per share £	Aggregate price paid £
Month shares cancelled					
May 2023	31,169,005	6.2000	5.8710	6.0716	189,244,725
Jun 2023	52,376,598	6.1900	5.8810	6.0754	318,208,161
Jul 2023	45,455,360	6.4570	5.9840	6.2246	282,943,198
Total	129,000,963				790,396,084

First share buy-back on HKEx in 2023	Number of shares repurchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Average price paid per share (HK$)	Aggregate price paid (HK$)
Month shares repurchased					
May 2023	37,500,000	59.9500	57.2000	59.0377	2,213,913,666
Jun 2023	50,900,000	61.4500	57.1000	60.0303	3,055,542,282
Jul 2023	40,374,800	65.0000	60.3000	62.6018	2,527,536,243
Total	128,774,800				7,796,992,191

Second share buy-back on UK trading venues in 2023	Number of shares repurchased and cancelled	Highest price paid per share £	Lowest price paid per share £	Average price paid per share £	Aggregate price paid £
Month shares cancelled					
Aug 2023	41,102,164	6.4470	5.7940	6.0941	250,481,897
Sep 2023	48,597,672	6.4950	5.7690	6.1120	297,030,003
Oct 2023	40,114,954	6.5750	5.9550	6.3949	256,532,508
Total	129,814,790				804,044,408

Second share buy-back on HKEx in 2023	Number of shares repurchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Average price paid per share (HK$)	Aggregate price paid (HK$)
Month shares repurchased					
Aug 2023	46,350,400	64.6000	57.9500	60.7539	2,815,966,340
Sep 2023	51,388,400	62.2000	56.8500	59.7717	3,071,570,280
Oct 2023	31,370,400	63.6500	56.6500	61.7430	1,936,902,040
Total	129,109,200				7,824,438,660

Third share buy-back on UK trading venues in 2023	Number of shares repurchased and cancelled	Highest price paid per share £	Lowest price paid per share £	Average price paid per share £	Aggregate price paid £
Month shares repurchased/cancelled					
Nov 2023	70,595,556	6.2070	5.8910	6.0717	428,636,659
Dec 2023	72,779,308	6.3640	5.9000	6.1409	446,927,846
Total	143,374,864				875,564,505

Third share buy-back on HKEx in 2023	Number of shares repurchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Average price paid per share (HK$)	Aggregate price paid (HK$)
Month shares repurchased					
Nov 2023	51,083,600	60.5500	56.4500	59.0032	3,014,094,399
Dec 2023	49,463,600	63.2500	59.1500	60.8660	3,010,652,262
Total	100,547,200				6,024,746,661

Dividends

Dividends for 2023

First, second and third interim dividends for 2023, each of $0.10 per ordinary share, were paid on 23 June 2023, 21 September 2023 and 21 December 2023. For further details of the dividends approved in 2023, see Note 8 on the financial statements.

On 21 February 2024, the Directors approved a fourth interim dividend for 2023 of $0.31 per ordinary share, making a total of $0.61 for the 2023 full-year. The fourth interim dividend for 2023 will be payable on 25 April 2024 in cash in US dollars, or in sterling or Hong Kong dollars at exchange rates to be determined on 15 April 2024. The fourth interim dividend for 2023 of $1.55 per American Depositary Share, each of which represents five ordinary shares, will be payable by the depositary in US dollars. As the fourth interim dividend for 2023 was approved after 31 December 2023, it has not been included in the balance sheet of HSBC as a liability. The distributable reserves of HSBC Holdings at 31 December 2023 were $30.9bn.

A quarterly dividend of £0.01 per Series A sterling preference share was paid on 15 March, 15 June, 15 September and 15 December 2023.

Dividends for 2024

The Group intends to pay quarterly dividends on its ordinary shares during 2024.

A quarterly dividend of £0.01 per Series A sterling preference share is payable on 15 March, 17 June, 16 September and 16 December 2024 for the quarter then ended at the sole and absolute discretion of the Board of HSBC Holdings plc. Accordingly, the Board of HSBC Holdings plc has approved a quarterly dividend to be payable on 15 March 2024 to holders of record on 29 February 2024.

Share capital

Issued share capital

The nominal value of HSBC Holdings' issued share capital paid up at 31 December 2023 was $9,631,364,096.50 divided into 19,262,728,193 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 2023.

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 435.

Dividend waivers

The Group's 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 2023 was $27.16m.

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 2022 and 2023 may be found in Note 8 on the financial statements on page 371.

Further details of the rights and obligations attaching to the HSBC Holdings' issued share capital may be found in Note 33 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 Limited.

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 2023

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.

Treasury shares

On 30 October 2023, HSBC Holdings cancelled 325,273,407 ordinary shares which were held in treasury, and no longer holds any ordinary shares in treasury.

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	179,676	89,838	6.386	6.386

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 314 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	10,598,803	5,299,401.50	5.421	6.357

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

At the AGM in 2023, shareholders renewed the general authority for the Directors to allot new shares up to 13,314,186,248 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/off-market purchases of up to 1,997,127,937 ordinary shares. The Directors exercised their market/off-market purchase authority from the 2023 AGM and repurchased 760,621,817 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 3,994,255,874 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 33 on the financial statements.

Other than as disclosed in the tables above headed 'Share capital changes in 2023', the Directors did not allot any shares during 2023.

Debt securities

In 2023, HSBC Holdings issued the equivalent of $24.5bn of debt securities in the public capital markets in a range of currencies and maturities, of which $17.2bn were in the form of senior securities to ensure it meets the current and proposed regulatory rules, including those relating to the availability of adequate total loss-absorbing capacity. For details of capital instruments and subordinated bail-inable debt, see Notes 29 and 33 on pages 406 and 414.

Treasury shares

In accordance with the terms of a waiver granted by The Stock Exchange of Hong Kong Limited 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.

HSBC Holdings does not hold any ordinary shares in treasury.

Notifiable interests in share capital

During 2023, 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').

No notifications had been received between 31 December 2023 and 15 February 2024. 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 2023, 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 2023 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 2023.

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 2023 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 1 Jan 2023, or date of appointment, if later	At 31 Dec 2023 or date of cessation, if earlier				
		Beneficial owner	Child under 18 or spouse	Jointly with another person	Trustee	Total interests
HSBC Holdings ordinary shares						
Geraldine Buckingham[1]	**15,000**	**15,000**	—	—	—	**15,000**
Rachel Duan[1]	**15,000**	**15,000**	—	—	—	**15,000**
Georges Elhedery[2] (appointed to the Board on 1 Jan 2023)	**572,575**	**753,467**	—	—	—	**753,467**
Dame Carolyn Fairbairn	**15,000**	**15,000**	—	—	—	**15,000**
James Forese[1]	**115,000**	**115,000**	—	—	—	**115,000**
Ann Godbehere[1] (appointed to the Board on 1 Sep 2023)	**15,000**	—	**15,000**	—	—	**15,000**
Steven Guggenheimer[1]	**15,000**	—	**15,000**	—	—	**15,000**
José Antonio Meade Kuribreña[1]	**15,000**	**15,000**	—	—	—	**15,000**
Kalpana Morparia[1] (appointed to the Board on 1 Mar 2023)	—	**15,000**	—	—	—	**15,000**
Eileen Murray[1]	**75,000**	**75,000**	—	—	—	**75,000**
Brendan Nelson (appointed to the Board on 1 Sep 2023)	—	—	—	—	—	—
David Nish	**50,000**	—	**50,000**	—	—	**50,000**
Noel Quinn[2]	**1,422,650**	**1,721,465**	—	—	—	**1,721,465**
Jackson Tai[1,3] (retired on 5 May 2023)	**66,515**	**32,800**	**11,965**	**21,750**	—	**66,515**
Swee Lian Teo (appointed to the Board on 1 Oct 2023)	—	**15,200**	—	—	—	**15,200**
Mark Tucker	**307,352**	**307,352**	—	—	—	**307,352**

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, Ann Godbehere has an interest in 3,000, Steven Guggenheimer has an interest in 3,000, José Antonio Meade Kuribreña has an interest in 3,000, Kalpana Morparia 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 279. At 31 December 2023, 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 – 4,993,390; and Georges Elhedery – 1,942,938, representing approximately 0.03% and 0.01% of the shares in issue respectively.*

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 2023 to the date of this report.

Listing Rule 9.8.4 and other disclosures

This section of the *Annual Report and Accounts 2023* 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

For details on the processes governing the appointment and re-election of Directors, see the Nomination & Corporate Governance Committee report from page 262.

Commitments

For details on the processes governing Director commitments, see the Nomination & Corporate Governance Committee report from page 262.

Conflicts of interest

The Board has an established policy and set of procedures 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. 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 subject to re-vetting by the Group's compliance team on a triennial basis following appointment. As part of this re-vetting process, all conflicts checks are refreshed.

Joint Company Secretary

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

Hannah Ashdown (47) was appointed as Deputy Group Secretary in December 2021 and for administrative purposes, in October 2022, was appointed 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 2023, 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' liability insurance and pension trustees' liability insurance.

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

Contracts of significance

During 2023, 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.

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 engagement with shareholders' on page 256 and the Group Remuneration Committee Chair's letter on page 279. During 2023, approximately 643 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 2023 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. They can be contacted via the Group Company Secretary and Chief Governance Officer at 8 Canada Square, London E14 5HQ.

The results of the poll vote at the 2023 AGM were published on 5 May 2023 and showed that on resolutions 2, 3(l), 6, 7, 14 and 15 we received votes of between 20.04% to 23.30% against the Board's recommendations. In our statement of 5 May 2023, it was noted that our largest shareholder, Ping An, voted against the Board's recommendations on the above resolutions and a number of others. Ping An's votes accounted for approximately 18% to 19% of all votes cast at the 2023 AGM based on a turnout of around 50%. The Board was pleased that a large majority of shareholders voting at the 2023 AGM supported HSBC's strategy and since the AGM there have been no concerns expressed by shareholders regarding the above resolutions. As referenced in the announcement released on 3 November 2023, we continue to have constructive dialogue and provide corporate access to all our institutional shareholders, including Ping An and respect and listen to their views.

Annual General Meeting

The AGM in 2024 is planned to be held in London, UK at 11:00am on Friday, 3 May 2024. Information on how to vote and participate, both in advance and on the day, can be found in the Notice of the 2024 AGM, which will be sent to shareholders on 22 March 2024 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

The Articles of Association were last approved at the 2022 AGM. The Articles of Association can be found at www.hsbc.com/who-we-are/leadership-and-governance/board-responsibilities.

Events after the balance sheet date

For details of events after the balance sheet date, see Note 39 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 $110,004 during 2023 (2022: $100,250).

Charitable contributions

For details of charitable contributions, see page 86.

Internal control

The Board is responsible for maintaining and reviewing the effectiveness of the Group's 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 Rulebook, 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 2024, the date of publication of the *Annual Report and Accounts 2023*.

The Board, the GRC and the GAC monitored the effectiveness of the Group's system of risk management and internal control throughout the year. In particular, this focused on the Group's regulatory remediation and change programmes, and involved working closely with management to better prioritise and understand where there are key interdependencies. In 2024, continued focus will be placed on overseeing emerging risks and potential risks arising from new products and offerings.

To support the work of the Board, the GRC and the GAC in discharging their responsibilities in this regard, assurance was also provided by executive management confirming that a 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 and included the implementation of additional assurance procedures including in relation to the Group's externally driven ESG and climate-related disclosures, change programmes and regulatory reporting.

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. In 2024, the Global Principles will be replaced by a more concise and targeted version of the document, known as the HSBC Book.

Risk management framework

The risk management framework supports our Global Principles, and going forward, our HSBC Book. 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. A new delegation of authorities framework was implemented in April 2023 with the aim of providing a simpler Group structure within which the Board and its subsidiaries can manage their delegated powers. These delegated authorities can be used for the approval, signing and execution of specific written agreements and documents such as procurement contracts.

The delegation of authorities framework is either granted via a separate board resolution or power of attorney or is set out in the relevant Group policy with clear systems of control that are appropriate to the business or function. Authorities to enter into credit and market risk exposures are delegated with limits to line management of Group companies in line with Group policy. 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 both 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 to annually review 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.

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 2023. 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 primary mechanism through which comfort over risk management and internal control systems is achieved is through annual 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.

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

Entity level controls

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 on an ongoing basis. 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 136. 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 controls

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 2023*.

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 2023, 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 2023

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 43 and 267 that we are seeking to enhance our governance, process, systems and controls capabilities in both areas, although the scale and nature of the challenges differ between reporting areas. Our improvements in regulatory reporting are intended to strengthen our global processes, improve consistency and enhance controls in order to meet regulatory expectations. ESG reporting continues to evolve, with a lack of globally consistent metrics, taxonomies and best practices 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 267).

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 40.

Employees

At 31 December 2023, HSBC had a total workforce equivalent to 221,000 full-time employees compared with 219,000 at the end of 2022. Our main centres of employment were India with approximately 42,000 employees, the UK with 33,000, mainland China with 33,000, Hong Kong with 26,000, 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.

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. Members of our Group Executive Committee are held to account for the actions they take on diversity via aspirational goals 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 identify inclusion barriers and take action where required. Our approach to diversity and inclusion is set out on page 76 alongside our goals and progress.

Further details of our diversity and inclusion activity, alongside our Gender and Ethnicity Pay Gap Reports 2023, *can be found at www.hsbc.com/diversitycommitments.*

Employment of people with a disability

We strongly believe in providing equal opportunities for our employees. The employment of people with a disability is included in this commitment. We are committed to retaining disabled employees in the workplace and to providing reasonable adjustments to enable this.

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 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.

Effective people management and impactful leadership remain critical to our ability to energise for growth. In 2023 we have continued to focus on equipping our management population with the skills they need to lead the organisation and energise our colleagues. We have continued to run our Enterprise Leadership Programme for our most senior leaders and developed the Managing Director Leadership Programme further following the launch in 2022. We have also refreshed our People Management Excellence programme which is available to leaders at all levels of the organisation to help them manage colleagues and nurture a productive team.

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 2023 to help us understand and manage our health and safety risks:

- 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 235,000 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, to ensure we were meeting our standards and continuously improving our safety performance.
- We maintained measures in our workplaces globally to minimise the risks from the spread of respiratory disease, including through the provision of hand sanitiser, improved ventilation, and guidance on good hygiene practices.
- 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.
- We continued to provide 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 7,500 construction workers received safety passport training across 20 countries.
- In 2023, our Eat Well Live Well programme continued to promote healthier and more sustainable diets among our colleagues with 30% of global food sales from HSBC catering outlets comprising healthy options. We also extended the reach of our programme through the launch of increased plant-based offers, monthly events dedicated to Eat Well Live Well, and virtual teaching kitchens accessible to all our employees.
- 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 2023, there were 27 named storms that passed over 2,010 of our buildings, resulting in no injuries. Only five buildings in Mexico were affected with minor business impact following Storm Otis.

Employee health and safety

	2023	2022	2021
Rate of workplace fatalities per 100,000 employees	**—**	—	—
Number of major injuries to employees[1]	**12**	7	14
All injury rate per 100,000 employees	**110**	70	64
Lost days due to work injury	**594**	485	358

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 290.

Employee share plans

Summaries of the share options and share awards granted, exercised/vested or lapsed during the year and other 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, including detailed summaries of the HSBC share plans, 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 299.

Note 5 on the financial statements gives details of share-based payments, including discretionary awards of shares granted under HSBC share plans.

Statement of compliance

The statement of corporate governance practices set out on pages 238 to 316 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 2023, HSBC complied with the provisions and requirements of both the UK and Hong Kong Corporate Governance Codes.

Under the Hong Kong Code, the audit committee should be responsible for the oversight of all risk management and internal control systems. HSBC's Group Risk Committee is responsible for oversight of internal control, other than internal control over financial reporting, and risk management systems. This is permitted under the UK Corporate Governance Code.

HSBC Holdings has codified obligations for transactions in Group securities in accordance with the requirements of the UK Market Abuse Regulation and the rules governing the listing of securities on HKEx. The Group has been granted certain waivers by HKEx 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.

The Group Audit Committee has reviewed and provided assurance to the HSBC Holdings Board on the publication of the *Annual Report and Accounts 2023*.

On behalf of the Board

Mark E Tucker

Group Chairman

HSBC Holdings plc

Registered number 617987

21 February 2024

Directors’ responsibility statement

The Directors are responsible for preparing the *Annual Report and Accounts 2023*, 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 the 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) No 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 (IFRS Accounting Standards). 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 the 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 IFRS Accounting Standards 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 2023* 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 2023,* 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 239 to 243 of the *Annual Report and Accounts 2023*, 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 IFRS Accounting Standards, 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 266 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 2024