HSBC Holdings plc

Directors' Remuneration Policy Supplement

Policy as approved by shareholders at the 2022 AGM

HSBC

This supplement sets out the Directors' remuneration policy in full, as presented to and then approved by over 96% of shareholders at the 29 April 2022 AGM.

Directors' remuneration policy

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

Remuneration policy – key principles

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

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

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

Setting the policy

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

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

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

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

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

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

Other matters considered as part of policy review

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

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

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

Remuneration policy – executive Directors

Fixed pay

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

Benefits and all employee share plans

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

Variable pay

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

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

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

Other

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

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

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

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

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

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

Choice of performance measures and targets

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

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

Performance measures

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

Approach to recruitment remuneration – executive Directors

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

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

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

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

Components of remuneration package of a new executive Director

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

Policy on payments for loss of office – executive Directors

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

Payments on loss of office

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

Other directorships

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

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

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

Remuneration scenarios

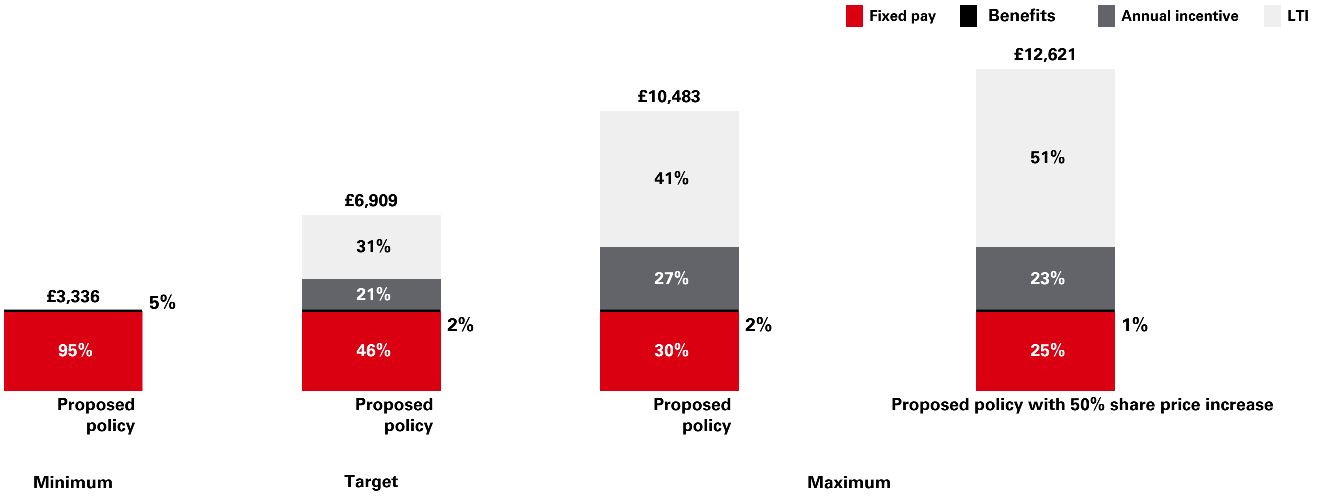
The following charts show how the total value of remuneration and its composition would vary under different performance scenarios for executive Directors under the proposed policy, which is effective from the date of the 2022 AGM, subject to shareholders' approval. Benefits in the charts below represents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

The charts set out:

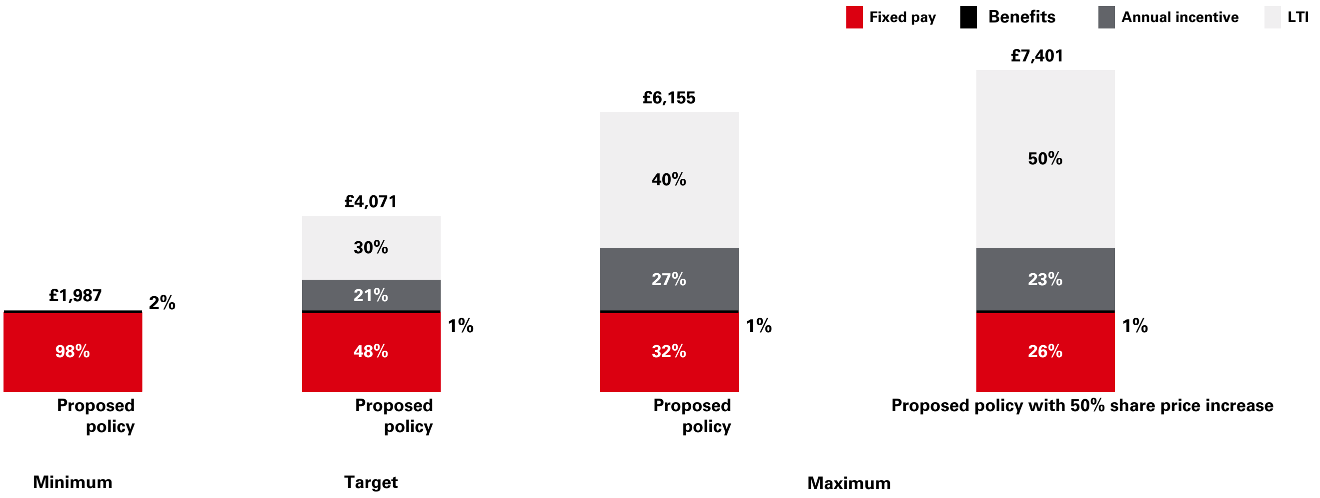
- the minimum level of remuneration receivable under the policy for each performance year;
- the remuneration level for achieving target level of performance (which assumes 50% of maximum variable pay opportunity is realised); and
- the maximum level of remuneration (which assumes 100% of the variable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

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

Group Chief Executive (£000)



Group Chief Financial Officer (£000)



Service contracts

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

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

Remuneration policy – non-executive Directors

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

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

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

Service contracts

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

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

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

Non-executive Directors are entitled to notice under their letter of appointment.

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