

**HSBC HOLDINGS PLC**  
**GROUP REMUNERATION COMMITTEE**  
**Terms of Reference**

**Membership**

The Committee shall comprise not less than three independent non-executive Directors.

The Chairman of the Committee shall be appointed by the Board.

The Board may from time to time appoint additional members to the Committee from among the non-executive Directors it has determined to be independent and, subject to the Company's Articles of Association, such other persons as the Board considers to be independent.

The Committee may invite any director, executive or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective. The Group Chief Risk Officer will attend meetings to present reports on the implications of the remuneration policy on risk and risk management and to validate and assess risk adjustment data.

The Committee shall be supported by the Group Managing Director, Human Resources (and such executives from Group Human Resources as he or she shall consider appropriate, such as the Head of Group Performance and Reward) and by the Committee Secretary who shall produce such papers and minutes of the Committee's meetings as are appropriate and distribute them to all members of the Committee.

The Committee is authorised by the Board to obtain such legal, remuneration or other professional advice as it shall deem appropriate and shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference of remuneration consultants to advise it on all aspects of remuneration.

**Meetings and Quorum**

The Committee shall meet with such frequency and at such times as it may determine. The Chairman of the Committee or in his absence, another member of the Committee, shall give an oral report to the Board after each meeting.

The quorum for meetings of the Committee shall be two, one of whom should be the Committee Chairman, unless he or she is unable to attend due to exceptional circumstances.

**Objective**

The purpose of the Committee is to set the over-arching principles, parameters and governance framework of the Group's remuneration policy and the remuneration of Senior Executives (being Executive Directors, Group Managing Directors, Group General Managers and the Group Company Secretary) and other Regulated Employees (being employees who perform a significant influence function; employees

whose activities have or could have a material impact on the Group's risk profile; and any other employee as determined by the Committee from time to time in accordance with the requirements of the Group's regulators).

Responsibilities of the Committee:

1. Without limiting the generality of the Committee's objective, the Committee shall have the following responsibilities, powers, authorities and discretion:
  - (a) to determine the remuneration policy of the Company and its subsidiaries and to make recommendations to the Board (for approval by shareholders) on the Directors' remuneration policy and any other remuneration matters that may require shareholder approval;
  - (b) to periodically review the adequacy and effectiveness of the remuneration policy of the Company and its subsidiaries in the context of consistent and effective risk management;
  - (c) to review periodically and to approve the design, implementation and application of malus and (if applicable) clawback policies;
  - (d) to give the Board such additional assurance as it may reasonably require regarding the Human Resources policies of the Group, pertaining to the terms and conditions of employment, remuneration and retirement benefits which are fair and will attract and retain high calibre staff;
  - (e) to review and sanction new or amended salary, incentive bonus and retirement benefit policies for the Company and its subsidiaries which are substantial in their cost and impact on a significant proportion of employees;
  - (f) to review and sanction all proposals for employee share plans for the Company and its subsidiaries (prior to referral to shareholders);
  - (g) to review and sanction proposals for new or amended policies on severance;
  - (h) to review and sanction proposals for new or amended retirement benefit policies and the associated funding arrangements for the Company and its subsidiaries and to approve significant changes in funding requirements and all unfunded liability arrangements;
  - (i) to review and approve shareholding policies for Senior Executives, and to review and endorse shareholding policies for non-executive Directors for approval by the Board;
  - (j) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
  - (k) to ensure that no Director or Senior Executive or any of their associates is involved in deciding their own remuneration;

- (l) to review and approve the Group's regulatory submissions including, but not limited to, the Group's Remuneration Policy Statement, reports on malus and clawback (as applicable) and notable events for each financial year;
  - (m) to review and approve the content of the Directors' Remuneration Report in the annual report and accounts for approval by the Board as a whole;
  - (n) to review and disclose, as appropriate, in the Directors' Remuneration Report in the annual report and accounts whether any Executive Director or Group Managing Director has the right or opportunity to receive enhanced benefits beyond those already disclosed and whether the Committee has exercised its discretion during the year to enhance such benefits either generally or for any member of this group;
  - (o) to review and approve any statement required by the Group's regulators from the Committee about the Group's remuneration policy;
  - (p) to agree the policy for authorising claims for expenses from the Group Chairman and the Group Chief Executive; and
  - (q) to establish core terms of reference for adoption by similar committees of any subsidiary company and, where appropriate, approve material deviations from such core terms.
2. To seek advice from the Group Risk Committee on the alignment of risk appetite with performance objectives set in the context of incentive packages and on whether any adjustments for risk need to be applied when considering performance objectives or actual performance. To consult with the Financial System Vulnerabilities Committee ("FSVC") to receive its input in the Committee's decision of any adjustment for risks that are under the FSVC's oversight. The Committee may also seek input from the Board and other Board committees, at such time and in such manner as it deems necessary or desirable. In the event of any difference of view, such risk adjustments should be decided by the Group Chairman and the non-executive Directors on the Board.
3. The Committee has the following specific responsibilities for Senior Executives, namely to approve:
- (a) overall market positioning of the remuneration package;
  - (b) individual fixed pay (including base salaries, fixed pay allowances and other components, if any) and increases;
  - (c) annual and long-term incentive/bonus arrangements, as well as any in-year variable pay adjustment;
  - (d) benefit entitlements (including pension arrangements);
  - (e) service contracts;

- (f) malus and/or clawback; and
- (g) termination arrangements.

The Committee is responsible for ensuring that remuneration for employees in risk management and compliance functions is determined independently of other business areas.

The Committee shall consider factors such as remuneration paid by comparable companies, time commitment and responsibilities of Senior Executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The Committee shall review and approve, for Senior Executives, the compensation payable in connection with any loss or termination of office or appointment and compensation arrangements relating to the dismissal or removal for misconduct to ensure that such compensation or arrangements are determined in accordance with relevant contractual terms and the Group's malus and/or clawback policies and that any compensation payment is otherwise fair, reasonable, appropriate and not excessive.

4. To approve the total remuneration of any other employee of the Group for whom the aggregate in-year, annual and long-term incentive/bonus arrangements for a performance year are greater than 10 times the individual's fixed pay.
5. To determine the governance of, and mandate for, approving the remuneration of Regulated Employees and other individual employees (other than Senior Executives and the employees set out in Section 4 above).
6. The Committee shall consider, within its agenda, material issues communicated to it by the Group Audit Committee arising from the work of Internal Audit function relating to matters which fall within the scope of the terms of reference of the Committee. This will include the communication of internal audit findings that are relevant to Remuneration Code reviews by the Committee. The Committee shall provide feedback to the Group Audit Committee on its review of such referred internal audit work, in particular as to any shortcomings perceived in the scope or adequacy of the work of Internal Audit or of the skillset of the internal auditors allocated to such referred work. Additionally, the Committee shall respond to any other matters of an internal audit nature that are referred to it by the Group Audit Committee, as appropriate.
7. To undertake on behalf of the Group Chairman or the Board such other related tasks as the Group Chairman or the Board may from time to time entrust to it.
8. To review annually the Committee's terms of reference and its own effectiveness and recommend to the Board any necessary changes.

The Committee may consider any matter relating to and may request any information as it considers appropriate from any remuneration committee of any HSBC Group company.