

HSBC HOLDINGS PLC
GROUP REMUNERATION COMMITTEE
Terms of Reference

1. Purpose

The Board of HSBC Holdings plc ('the Group') has delegated responsibility for matters related to remuneration to the Committee, in particular for setting:

- 1.1 The principles, parameters and governance framework of the Group's remuneration policy (as applicable to all Group employees);
- 1.2 The remuneration of executive Directors, other 'Senior Executives' (Group Managing Directors, Group General Managers and the Group Company Secretary) and other 'Regulated Employees' (being employees whose activities have or could have a material impact on the Group's risk profile, in accordance with the requirements of the Group's regulators).

2. Membership

The Committee (including the Chairman) will comprise at least three independent non-executive directors.

The Chairman of the Committee shall be appointed by the Board from among the independent non-executive directors.

3. Attendance

Only members have the right to attend Committee meetings

Others can attend by invitation for the whole or part of the meeting.

4. Meetings and quorum

The Chairman shall ensure that the Committee meets with sufficient notice and frequency.

The quorum for meetings is two members, including the Chairman or his delegate.

The Secretary of the Committee is the Group Company Secretary (or his nominee).

5. Responsibility of the Chairman

The Chairman's role requires:

- Fostering an open, inclusive and where appropriate challenging discussion;
- Ensuring the Committee and its members have the information necessary to perform their tasks and devote sufficient time and attention to the matters within their remit;
- Facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
- Reporting to the Board on the Committee's activities.

Areas of Responsibility

The Committee's responsibilities shall include:

6. Remuneration policy and governance

6.1 Setting the principles, parameters and governance framework of the Group's remuneration policy as applicable to all Group employees.

6.1.1 To determine the remuneration policy of the Group, including its subsidiaries (with input from subsidiary boards as applicable to local regulatory and market conditions), including the review and sanction of the following new or amended policies:

- Salary and incentive plans;
- Retirement benefits, and the associated funding arrangements, which are substantial in their cost and impact a significant proportion of employees and, in all cases, any new or increased provision of unfunded liability arrangements or Defined Benefit plans;
- Employee share plans (prior to referral to shareholders, as applicable) including any Good Leaver policy;
- Malus and clawback; and
- Severance.

6.2 Setting the remuneration policy and remuneration for independent non-executive Directors, executive Directors and other Senior Executives of the Group and its subsidiaries.

6.2.1 Make recommendations to the Board, for approval by shareholders, regarding the Directors' Remuneration Policy and any other remuneration matters that may require shareholder approval taking into account:

- The time commitment and responsibilities of independent non-executive Directors and executive Directors;

- The long-term interests of shareholders and investors; and
- The requirement to link pay to performance by reference to corporate goals and objectives resolved by the Board.

6.2.2 Review and set the remuneration for independent non-executive Directors, executive Directors and other Senior Executives, including:

- Overall market positioning of the remuneration package;
- Individual fixed pay and increases;
- Annual and long-term incentive arrangements and adjustments;
- Benefit entitlements (including pension arrangements);
- Service contracts;
- Malus and/or clawback;
- Shareholding policies;
- Procedures relating to expenses; and
- Termination arrangements and compensation for loss of office.

6.3 Setting the remuneration policy for Regulated Employees of the Group and its subsidiaries in accordance with prevailing regulatory requirements:

- Review and approve the approach to be used for identifying Regulated Employees of the Group; and
- Determine and approve the remuneration policy for Regulated Employees.

6.4 In carrying out the above responsibilities the Committee shall:

- For any employee of the Group, approve:
 - New hire remuneration packages and severance arrangements that exceed the delegated mandates approved by the Committee;
 - Total remuneration (aggregate fixed pay, annual and long-term incentive/bonus arrangements) for any performance year that exceeds USD 3 million;
- Approve the total remuneration of senior officers in Risk and Compliance functions;
- Ensure that remuneration for employees in Risk and Compliance functions is determined independently of other business areas;
- Approve the deferral approach to be applied and the instruments in which the variable pay of the Regulated Employees should be delivered;
- Ensure that no Director or Senior Executive, or any of their associates, is involved in deciding their own remuneration; and

- Determine the governance of, and delegated mandates for, approving individual remuneration packages and any changes to policies.

7. Regulatory, risk and audit

7.1 Reviewing any matters relating to remuneration that need to be reported to the Board, shareholders and the Group's primary regulator, and assessing that there are effective safeguards in place to ensure that remuneration policies are clearly aligned with the Group's risk appetite and the regulatory and other legislative requirements that the Group is required to comply with.

This includes the review and approval of:

- The content of the Directors' Remuneration Report in the annual report and accounts for approval by the Board as a whole;
- The Group's regulatory submissions including the Group's Remuneration Policy Statement and notable events for each financial year;
- Any statement required by the Group's primary regulator from the Committee about the Group's remuneration policy;
- The adequacy and effectiveness of the remuneration policy of the Group and its subsidiaries in the context of consistent and effective risk management; and
- Variable pay adjustments, including application of malus and/or clawback, for conduct breaches.

7.2 Seeking advice from the Group Risk Committee on the alignment of risk and remuneration and on risk adjustments to be applied in setting annual variable pay pool.

7.3 Consulting with the Financial System Vulnerabilities Committee ("FSVC") and Conduct & Values Committee ("CVC") to receive its input in the Committee's decision of any adjustment for risks that are under the FSVC's and CVC's oversight.

7.4 Considering material issues communicated to it by the Group Audit Committee ("GAC") arising from the work of Internal Audit relating to matters which fall within these terms of reference, including communication of relevant internal audit findings on remuneration matters. The Committee shall provide feedback to the GAC on these matters, in particular as to any shortcomings perceived in the scope or adequacy of Internal Audit or its work.

8. Operation of the Committee

The Committee:

- Shall review annually these terms of reference and its own effectiveness as well as the quality of information it receives and recommend any necessary changes.
- May establish core terms of reference for adoption by similar committees of any subsidiary company and, where appropriate, approve material deviations from such core terms.
- Shall report to the Board on the matters set out in these terms of reference, how the Committee has discharged its responsibilities and will make recommendations on action needed to resolve concerns or make improvements.
- May delegate to the Chairman authority to make decisions on its behalf on matters which may need attention between Committee meetings, provided that such decisions are notified to the Committee members and ratified at the next scheduled Committee meeting.
- May (with the consent of the Board) delegate certain decisions which are not material to Group companies or business units.
- Is authorised by the Board to engage independent professional advisers and have access to such resources including employees as it may consider appropriate.
- Shall give consideration to laws and regulations of all applicable jurisdictions and regulators.
- Shall work and liaise as necessary with all other Board committees (including to determine where there is an overlap in responsibilities) as well as the Group's principal subsidiaries and their remuneration committees (setting clear expectations for the latter). The Committee's interaction with other relevant boards and committees of the Group will be reflected in the detailed plans and processes for the Committee which are developed on an ongoing basis throughout each calendar year.
- Shall consider any matter relating to and may request any information as it considers appropriate from any remuneration committee of any HSBC Group company.