Energising our colleagues for growth

We aspire to offer colleagues the opportunity to develop their skills while ensuring we build a pipeline of talent to support our strategic priorities. It is vital that we demonstrate the right leadership and create the right environment to energise our colleagues for growth.

Skilling the transition to net zero
The Sustainability Academy was launched in 2022 to support our net zero ambitions. As the academy has evolved we have shifted the focus from knowledge building to capability building across key colleague groups who are supporting customers on their transition to net zero. In 2023, we applied four main activities to support this effort:

- supplying on-demand learning modules based on role, region and client-base for colleagues who support customers with core transition activities;
- creating advanced workshops across our global businesses and functions to build colleagues' knowledge and develop practical skills to achieve business outcomes;
- encouraging external certifications and qualifications, where required, to deepen colleagues' expertise; and
- designing a 16-week sustainability leadership programme, in partnership with Imperial College London, which combines education on core sustainability concepts with change management, purpose and leadership principles. In 2023, the programme was completed by more than 170 senior leaders. Additional net zero learning opportunities were also provided to the Board and 100 of our most senior leaders.

We need to build strong leadership and develop our colleagues' capabilities to navigate the transition to net zero and achieve our climate goals. In 2023, we worked with our internal experts from the Sustainability Centre of Excellence to provide more advanced skills training in key transition areas such as energy transition, climate technology and financed emissions, alongside other core sustainability topics such as biodiversity.

Supporting our Asia wealth strategy
Our ambition is to become the preferred international financial partner for clients, and the expansion of our wealth management services particularly in Asia, sits at the heart of this ambition.

To help achieve this, we have continued to expand our Accelerating Wealth Programme, which offers a skills-based development plan for colleagues who are looking to pursue a career as a relationship manager in wealth management. The programme enables HSBC to develop talent from within and hire talented people with different career backgrounds from outside the business. In 2023, we extended the programme to external applicants in Hong Kong and to internal applicants in mainland China, India and Singapore. We will continue to add new countries and territories in 2024 to provide a sustainable hiring channel for front-line roles.

Technology transformation
We are committed to delivering better customer outcomes through digital transformation. Our technology transformation skills programme aims to ensure we attract, develop and retain the skilled talent we need to execute our strategy.

In 2023, our technology colleagues completed more than 800,000 hours of learning and gained over 950 certifications in software development, cyber, AI, data processes, Cloud computing and app development, among others. Our new Principle Engineer and Principle Architecture accelerator programmes have equipped colleagues with advanced technical knowledge and skills, enhancing their ability to innovate in their roles.

Leadership development
We continue to strengthen the training and development opportunities we offer our leaders at all levels of the Group, to ensure they are equipped with the clarity, alignment and capability with our goals to drive the performance of our organisation. In 2023, we significantly increased investment in the development of our leadership population.

For senior leaders, our Executive and Managing Director Leadership Programmes helped bring our purpose and strategy to life through innovative flagship courses, masterclasses and strategy briefing sessions.

We recognise the importance of people managers in shaping the experience of our colleagues. In 2023, we re-designed our People Management Excellence programme to better support managers at all levels. The face-to-face and virtual training includes a focus on the role and expectations of managers, how to design and organise work, and how to nurture a productive team environment. In 2023, over 3,800 colleagues attended this programme.

Supporting UK emerging talent

We continue to extend our emerging talent programmes beyond traditional graduate and internship schemes to support our socio-economic diversity ambitions (see page 78). In 2023, we awarded more than 100 apprenticeships to external and internal applicants. Our degree apprenticeship programmes provided an alternative to the traditional university route for 47 individuals, and we launched a disability apprenticeship programme for our Marketing function. We have also offered over 460 structured work placements to secondary school students and continued to support the #merkybook financial literacy programme for young people.

HSBC has funded 30 University of Cambridge scholarships for Black and socially disadvantaged students through our Stormzy partnership, and will invest a further £2m to achieve 60 scholarships by 2026 to support underrepresented groups. In 2023, Black heritage representation in our graduate and summer internship programmes was 10% of job applicants and 11% of new hires.

Building customer inclusion and resilience

Our approach to customer inclusion and resilience

We believe that financial services, when accessible and fair, can reduce inequality and help more people access opportunities. We are playing an active role in opening up a world of opportunity for individuals by supporting their financial well-being, and removing the different barriers that people can face in accessing financial services.

Access to products and services
We provide innovative solutions to help improve customer access to products and services. HSBC UK and HSBC Hong Kong provide no-cost accounts for customers who do not qualify for a standard account or who might need additional support due to social or financial vulnerability. In 2023, HSBC Egypt ran a campaign that allowed new customers to open bank accounts with no minimum balance required and no account opening fees. In the UK, we continue to make our branches more accessible by providing 'safe spaces' for domestic abuse victims, where they can seek specialist support and advice. In 2023, we also launched a specialist training programme to raise awareness among our colleagues of modern slavery and human trafficking. This has been completed by more than 5,300 UK colleagues. In addition, our strategic partnership with housing and homelessness charity Shelter UK aims to support those in crisis and build financial resilience solutions to help prevent homelessness in the future.

Making banking accessible
Number of no-cost accounts held for customers who do not qualify for a standard account or who might need additional support due to social or financial vulnerability.

2023	**718,306**
2022	716,957
2021	692,655

Supporting financial knowledge and education
We continue to invest in financial education content and features across different channels to help customers, colleagues and communities be confident users of financial services.

Since 2020, we received over 6.6 million unique visitors to our global digital financial education content. We continue to help customers expand their financial capabilities through our personal financial management tools. In 2023, HSBC UK launched new capabilities on our app enabling customers to manage their budgets, see their spending insights and view financial fitness content. This new tab on the app has attracted over 4.5 million unique visitors. We also added investment pots and goals to help motivate customers to save for the future.

In 2022, we launched our 'Well+' reward programme on the HSBC HK Mobile Banking app to help customers improve the health of their body, money and mind. Reward points are earned by completing a series of simple activities, such as building their financial knowledge. In 2023, we added new capabilities, such as bonus badges, and more than 212,000 customers have engaged with Well+ in Hong Kong since launch.

To help customers understand complex products and make informed decisions, HSBC Life UK launched a series of quick video guides to explain the key benefits, exclusions and underwriting process of critical illness cover.

To support Hong Kong customers with special educational needs, we launched simple step-by-step guides, which were shared with our partners, to explain how to access basic banking services.

We also support programmes that help expand the financial knowledge of children and young people to ensure future resilience. HSBC Egypt partnered with Injaz Al-Arab, a member of JA Worldwide, to deliver its 'building a financially capable generation' programme to students in seven schools in Cairo. In Mexico, we created a podcast, targeted at developing the financial capabilities of young people with each episode covering a specific theme, to enhance their basic financial knowledge.

We continued to build on our financial literacy programmes for young people in the UK, with the launch of the first financial capability skills module for the Duke of Edinburgh's Award.

Creating an inclusive banking experience
We aim to ensure that our banking products and services are designed to be accessible for customers experiencing either temporary or permanent challenging circumstances, such as disability, impairment or a major life event.

A simplified version of the HSBC HK Mobile Banking app aims to continue to enhance digital inclusion for all, including seniors. The app is the first of its kind among Hong Kong banks and has attracted more than 477,000 unique users since launch.

We are committed to improving accessibility experiences across our digital channels and continuously review our browser-based websites in 23 markets, and our mobile banking services in 18 markets, against the WCAG 2.0 AA standards. We also share our digital accessibility expertise with partners, companies and colleagues. More than 10,000 people and 66 companies have taken advantage of our specialised training programmes. To further share our best practice externally, HSBC sponsored and hosted AbilityNet's Techshare Pro event in our Group head office in London. Our work on digital accessibility was recognised with 11 awards in 2023.

Support for customers extends beyond our digital channels and we recognise that not all disabilities are visible or immediately obvious to others. We have expanded our commitment to the Hidden Disabilities Sunflower Lanyard Scheme, rolling it out across the UK, Hong Kong, the Channel Islands and Australia. The lanyard indicates that an individual may need a little more help, support or time. HSBC UK is also making use of virtual reality tools, such as EBOX (Empathy Box), to give colleagues the opportunity to experience vulnerability from the perspective of the customer.

In 2023, HSBC UK was awarded the UK Construction Industry Council's Inclusive Environments Recognition at the Organisational Level certification. This recognises the strong organisation and design processes HSBC has put in place to support accessible and inclusive design.

Supporting women
HSBC UAE and HSBC Singapore have collaborated with digital financial education provider Sophia, to create a programme designed specifically to help female customers build their financial knowledge. It covers a range of topics, including budgeting, ways to invest and investment strategies.

In Mexico, our Mujeres Al Mundo programme continues to support women as customers through products, services, education and networking. In 2023, we also supported female-owned businesses through our $1bn Female Entrepreneur Fund, alongside hosting bespoke Pitch Day events for a number of female entrepreneurs seeking investment.

Engaging with our communities

Building a more inclusive and resilient world

We have a long-standing commitment to support the communities in which we operate. We aim to empower people and communities to develop the skills and knowledge needed to thrive in the future.

Through the global reach of our charitable partnerships we bring together diverse people, ideas and perspectives that help us open up opportunities and build a more inclusive world.

Building community and future skills
We work with charity partners to initiate programmes that help people and communities respond to opportunities and challenges as global economies transition towards a low-carbon future. In 2023, these included:

- launching a three-year partnership with the British Council in Brazil, Mexico, India, Indonesia and Vietnam, and extending The Prince's Trust programmes in Australia, Canada, India and Malaysia, to help young, marginalised people develop the skills they need to thrive in the green economy;
- partnering with the Guangdong Lvya Rural Women Development Foundation in China to help equip women in remote mountain areas with sustainable farming skills; and
- partnering with the Ghabbour Foundation in Egypt to help provide technicians with specialist skills training to work in the electric vehicle market.

We also work with our charity partners around the world to strengthen the resilience of disadvantaged communities:

- In Hong Kong, we announced a three-year partnership with Food Angel to increase its capacity to provide meals to underprivileged elderly groups.
- In the US, we expanded our workforce development programme with Feeding America to support communities to find meaningful employment, especially mothers and Black, Indigenous People of Colour women.
- In the UK, we announced a three-year partnership with Shelter to help develop the homeless charity's training, guidance, tools and support within local communities to help build financial resilience.
- In France, we continued our work with Article 1 to help young people from deprived communities succeed in higher education through mentoring programmes.
- We supported disaster relief agency response to humanitarian needs, including those in Israel, Libya, Morocco, the Palestinian territories, Türkiye, and the Hawaiian island of Maui.

Community engagement and volunteering
We offer paid volunteering days, and encourage our people to offer their time, skills and knowledge to causes within their communities. In 2023, our colleagues gave over 181,800 hours to community activities during work hours.

Awards

- National CSR Fund 2023 UAE – Platinum Impact Seal
- Charitable giving by HSBC in China received recognition from the *China Philanthropy Times*

Charitable giving in 2023 (%)

- Social, including Future Skills: **26%**
- Environment, including the Climate Solutions Partnership: **37%**
- Local priorities: **24%**
- Disaster relief and other giving: **13%**

Total cash giving towards charitable programmes

$107.3m

Hours volunteered during work time

>181,800

People projected to be reached through our Future Skills programme

1.25m

Advancing financing and digital literacy

Over the past five years, HSBC worked with three microfinance networks to advance financial and digital literacy of women from unbanked and underbanked communities in India. The programme has engaged with more than 550,000 women to build awareness and understanding of digital payment platforms, and enhance their ability to access banking services, such as savings, credit and insurance, as well as government welfare schemes. By the end of 2023, 56,000 women had undertaken loan repayments worth $521,000 via digital channels. Insights from the initiative will be shared with financial institutions and the National Payment Corporation of India, set up by the banking regulator to oversee retail payments and settlement systems in India, to increase unbanked households' access to financial services and products.

Governance
Acting responsibly

We remain committed to high standards of governance. We work alongside our regulators and recognise our contribution to building healthy and sustainable societies.

At a glance

Our relationship
We act on our responsibility to run our business in a way that upholds high standards of corporate governance.

Customer experience is at the heart of how we operate. It is imperative that we treat our customers well, that we listen, and that we act to resolve complaints quickly and fairly. We measure customer satisfaction through net promoter scores across each of our global businesses, listen carefully to customer feedback so we know where we need to improve, and take steps to do this. Our customer satisfaction performance improved in many markets in which we operate, although we still have work to do to improve our rank position against competitors.

We are committed to working with our regulators to manage the safety of the financial system, adhering to the spirit and the letter of the rules and regulations governing our industry.

We strive to meet our responsibilities to society, including through being transparent in our approach to paying taxes. We also seek to ensure we respect global standards on human rights in our workplace and our supply chains, and continually work to improve our compliance management capabilities.

For further details of our corporate governance, see our corporate governance report on page 238.

In this section

Setting high standards of governance TCFD

How ESG is governed

The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. Progress against our ESG ambitions is reviewed through Board discussion and review of key topics such as updates on customer experience and employee sentiment. The Board is regularly provided with specific updates on ESG matters, including the financed emissions sector targets, human rights and employee well-being. Board members receive ESG-related training as part of their induction and ongoing development, and seek out further opportunities to build their skills and experience in this area. For further details of Board members' ESG skills and experience, see page 239. For further details of their induction and training in 2023, see page 253.

Given the wide-ranging remit of ESG matters, the governance activities are managed through a combination of specialist governance infrastructure and regular meetings and committees, where appropriate. These include the Group Disclosure and Controls Committee and Group Audit Committee, which provide oversight for the scope and content of ESG disclosures, and the Group People Committee, which provides oversight support for the Group's approach to performance management. For some areas, such as climate where our approach is more advanced, dedicated governance activities exist to support the wide range of activities, including climate risk management in the Environmental Risk Oversight Forum.

The Group Chief Risk and Compliance Officer and the chief risk officers of our PRA-regulated businesses are the senior managers responsible for climate financial risks under the UK Senior Managers Regime. Climate risks are considered in the Group Risk Management Meeting and the Group Risk Committee, with scheduled updates provided, as well as detailed reviews of material matters, such as climate-related stress testing exercises.

The diagram on the right provides an illustration of our ESG governance process, including how the Board's strategy on climate is cascaded and implemented throughout the organisation. It identifies examples of forums that manage both climate-related opportunities and risks, along with their responsibilities and the responsible chair. The structure of the process is similar for the escalation of problems, with issues either resolved in a given forum or raised to the appropriate level of governance with appropriate scope and authority.

In 2023, we enhanced our ESG governance with the establishment of a new Sustainability Execution Committee, which focuses on defining and measuring the success of our climate ambition, and developing commercial opportunities that support it through the sustainability execution programme.

We expect that our approach to ESG governance is likely to continue to develop, in line with our evolving approach to ESG matters and stakeholder expectations.

How HSBC's climate strategy is cascaded

Opportunities | Risks

Board level governance

Group Executive Committee | Group Audit Committee | Group Risk Committee

Management level governance

ESG Committee
Has oversight of ESG strategy, policy, material commitments and external disclosure. Oversees and monitors progress against ESG strategy, policies, plans, targets, commitments and execution processes. Reports to the Board of progress on the commitments, deliverables and targets under the sustainability execution programme.

Co-Chairs: Group Chief Financial Officer, and Group Chief Sustainability Officer

Group Risk Management Meeting
Oversees the enterprise-wide management of all risks, including updates relating to the Group's climate risk profile and risk appetite, top and emerging climate risks, and key climate initiatives.

Chair: Group Chief Risk and Compliance Officer

Supporting governance

Sustainability Execution Committee
Has oversight of environmental strategy, including commercial execution and operationalisation through the sustainability execution programme. This included financed and facilitated emissions targets and commitments, implementation and execution of transition plans, and delivery of $750bn to $1tn sustainable finance and investment by 2030.

Chair: Group Head of Commercial Banking, and Group Chief Sustainability Officer

Environmental Risk Oversight Forum
Oversees risk activities relating to climate and sustainability risk management, including the transition and physical risks from climate change. Equivalent forums have been established at a regional level, where appropriate.

Chair: Senior adviser, ESG Risk

Regional, global business and global functions

Examples of ESG-related management governance
The following governance bodies support management in its delivery of ESG activities.

Digital Business Services Executive Committee
Oversees the global delivery of ESG activities within our own operations, services and technology elements of our strategy.

Chair: Group Chief Operating Officer

Group Reputational Risk Committee
Provides recommendations and advice on significant reputational risk matters with impact across the Group.

Chair: Group Chief Risk and Compliance Officer

Human Rights Steering Committee
Oversees the Group's evolving approach to human rights and provides enhanced governance.

Chair: Group Chief Risk and Compliance Officer

Human rights

Our respect for human rights

As set out in our Human Rights Statement, we recognise the role of business in respecting human rights. Our approach is guided by the UN Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Our salient human rights issues
We continue to raise awareness and develop our understanding of our salient human rights issues. These are the human rights at risk of the most severe negative impact through our business activities and relationships.

An extensive review of our salient human rights issues conducted in 2022 identified five human rights risks inherent to HSBC's business globally, and five types of activity through which such risks might arise. These are represented in the adjacent table.

In 2023, building on this assessment, we provided practical guidance and training, where relevant, to our colleagues across the Group on how to identify and manage human rights risk.

We are now focusing on translating this into risk management enhancements in two key areas of activity. These are the services we provide to business customers and the goods and services we buy from third parties.

Managing risks to human rights
In 2023, we continued the process of adapting our risk management procedures to reflect what we learned from our work on salient human rights issues and related guidance.

We continued to embed and build on the Sustainable Procurement Mandatory Procedure, which sets out the minimum sustainability requirements for procurement activity. This included enhanced procedures for human rights risk identification through the introduction of a human rights residual risk questionnaire for suppliers as part of our global onboarding assessment process, and human rights supplier audit pilots in our Asia-Pacific and Latin America regions to assess the potential need for further supplier audits in the future.

New approaches to identifying and managing human rights risk in respect of our business customers have also been piloted. These included screening for indicators of potential negative impacts on people, including media monitoring and other relevant third-party data.

Our salient human rights issues
Illustration of HSBC Group's inherent human rights risks mapped to business activities.

		HSBC activities				
				Provider of products and services		
Inherent human rights risks		Employer	Buyer	Personal customers	Business customers	Investor[1]
Right to decent work	Freedom from forced labour		◆		◆	◆
	Just and favourable conditions of work	◆	◆		◆	◆
	Right to health and safety at work	◆	◆	◆	◆	◆
Right to equality and freedom from discrimination		◆	◆	◆	◆	◆
Right to privacy		◆		◆		◆
Cultural and land rights			◆		◆	◆
Right to dignity and justice		◆	◆	◆	◆	◆

1 Investor includes our activities in HSBC Asset Management.

We continued to develop our in-house capability on human rights with the launch of further online resources for all staff and bespoke human rights training for colleagues in key roles, including those managing relationships with suppliers, and those with responsibility for overseeing risk management processes.

The actions we are taking to address these salient human rights issues are consistent with our values and will help us to meet our commitments on diversity and inclusion, and those we have made under the UN Global Compact and WEF metrics on risk for incidents of child, forced or compulsory labour.

For further details of the actions taken to respect the right to decent work, see our 2023 Annual Statement under the UK Modern Slavery Act at www.hsbc.com/modernslaveryact.

For further details of the actions taken to respect the right to equality and freedom from discrimination, see 'Our approach to diversity and inclusion' on page 76.

Sustainability risk policies
Some of our business customers operate in sectors where the risk of adverse human rights impact is high. Our sustainability risk policies for agricultural commodities, energy, forestry, mining and metals consider human rights issues such as forced labour, harmful or exploitative child labour and land rights. They also consider the rights of indigenous peoples such as 'free prior and informed consent', workers' rights, and the health and safety of communities.

Through our membership of international certification schemes such as the Forestry Stewardship Council, the Roundtable on Sustainable Palm Oil and the Equator Principles, we support standards aimed at respecting human rights.

Our sustainability risk policies are reviewed periodically to ensure they reflect our priorities.

For further details, see our sustainability risk policies at www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/sustainability-risk.

Financial crime controls
The risk of us causing, contributing or being linked to adverse human rights impacts is also mitigated by our financial crime risk framework, which includes our global policies and associated controls.

For further details of how we fight financial crime, see www.hsbc.com/who-we-are/esg-and-responsible-business/fighting-financial-crime.

Our respect for human rights continued

Driving change
We continued to participate in industry forums, including the Thun Group of Banks, which is an informal group that seeks to promote understanding of the UNGPs within the sector, and the UN Global Compact Human Rights Working Group.

HSBC has been a member of the Mekong Club since 2016. We are a participant of its monthly financial services working group, and we use its informative typological toolkits, infographics, and other multimedia resources covering current and emerging issues. Our Compliance teams regularly collaborate and engage with the Mekong Club in designing Group-wide knowledge sharing and training sessions.

Investments
Since 2022, HSBC Asset Management has published an annual *Global Stewardship Plan* outlining its approach to engagement, prioritisation of investee companies, objective-setting and escalation procedures. The plan also highlights its thematic priorities including human rights.

HSBC Asset Management recognises collaborative engagement as a tool to promote change. It participates in investor-led joint engagement initiatives where it believes these can have a positive influence. It is a signatory to the Principles for Responsible Investment Advance initiative to promote active stewardship on human rights and social issues. It has also actively contributed to other sector-specific initiatives, including engaging with technology firms on digital rights and responsible AI, and working with ESG data providers to promote higher quality human rights data set.

HSBC Asset Management has also incorporated human rights and modern slavery considerations into its Global Voting Guidelines. This helps to identify non-compliance with UN Global Compact principles, as well as a company's competency in human rights management and disclosures. Where a company falls below expectations, HSBC Asset Management may vote against the re-election of the board chair or relevant board director.

As a signatory to the Net Zero Asset Management Initiative, HSBC Asset Management is taking steps to reduce the carbon exposure of its portfolios and engage with issuers on their climate strategies. It also recognises the impact that the climate transition can have on workers, communities, consumers and other stakeholders, and has published its perspectives on a just transition.

For the Global Stewardship Plan, see www.assetmanagement.hsbc.co.uk/-/media/files/attachments/uk/policies/stewardship-plan-uk.pdf.

For further details of the Net Zero Asset Management Initiative, see www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/road-to-net-zero/a-transition-for-everyone.

Supporting those impacted and those potentially at risk
We continued to expand our Survivor Bank programme, which has now supported over 3,000 survivors of modern slavery and human trafficking in the UK, and is a model for making financial services more accessible to vulnerable communities worldwide.

We built on this experience in developing access to banking services for customers with no fixed abode in the UK and in Hong Kong, providing over 5,700 accounts under these programmes.

For further details of our work to support vulnerable communities, see page 86.

Effectiveness
The table below includes some indicative metrics we use to measure year-on-year continual improvement to our human rights processes.

For further diversity and inclusion metrics, see page 76 in this ESG review, as well as Section 4 of the 2023 Annual Statement under the UK Modern Slavery Act, which is available at www.hsbc.com/who-we-are/esg-and-responsible-business/modern-slavery-act.

Monitoring effectiveness

Metric	2023	2022
Contracted suppliers who either confirmed adherence to the code of conduct or provided their own alternative that was accepted by our Global Procurement function	**95%**	93%
Employees who have received training on human rights	**8,176**	520
Votes by HSBC Asset Management against management for reasons including human rights[1]	**213**	87

1 The figure represents the number of resolutions at investee company shareholder meetings (including AGMs) where votes were cast against management for reasons related to human rights.

Working for a just transition

Just Energy Transition Partnerships are becoming increasingly popular bringing key stakeholders together to enable a clean, fair energy transition in emerging economies that rely heavily on coal. Essentially, they are multilateral financial agreements aimed at accelerating the phase-out of fossil fuels, in a way that addresses the social consequences of doing so.

For further details on HSBC's role in Just Energy Transition Partnerships with Indonesia and Vietnam, see www.hsbc.com/news-and-views/views/hsbc-views/jetps-powering-a-faster-energy-transition.

Read more on Just Energy Transition Partnerships on page 68 of this ESG Review.

Customer experience

We remain committed to improving customers' experiences. In 2023, we gathered feedback from over one million customers across our three global businesses to help us understand our strengths and the areas we need to focus on. We were ranked among the top three banks against our competitors in 58% of our six key markets across WPB and CMB[1]. This was lower than in 2022 when we were ranked among the top three banks against our competitors in 66% of our key markets.

Customer satisfaction

Listening to drive improvement
We have continued to embed our feedback system so we can better listen, learn and act on our customers' feedback. We use the net promoter score ('NPS') to provide a consistent measure of our performance. NPS is measured by subtracting the percentage of 'detractors' from the percentage of 'promoters'. 'Detractors' are customers who provide a score of 0 to 6, and 'promoters' are customers who provide a score of 9 to 10 to the question: 'On a scale on 0 to 10, how likely is it that you would recommend HSBC to a friend or colleague'.

We run studies that allow us to benchmark ourselves against other banks. We try to make it as easy as possible for customers to give us feedback, accelerating our use of digital real-time surveys to capture insight. By sharing this and other feedback with our front-line teams, and allowing them to respond directly to customers, we are improving how we address issues and realise opportunities.

In 2023, we launched the CMB Customer Impact Forum, a dedicated global forum set up to provide oversight of our business and corporate customers' experiences and promote continuous improvement. This, alongside our WPB 'Customer in the room' programme launched in 2022, helps ensure we use feedback in all aspects of how we run our business and prioritise initiatives that matter most to our customers.

How we fared
In WPB, our NPS increased in four of our six key markets, which were Hong Kong, Mexico, India and Singapore. Our NPS in the UK declined slightly, largely among our mass affluent customers. In Hong Kong, we remained first overall against our competitors, driven by our mass affluent customers. In India we ranked in first place, driven by increased digitalisation. We introduced digital self-service solutions for updating customer details and downloading key documents, and digitised our onboarding process. We were also a top three bank in mainland China, based on 2022 data (see footnote 3 in the adjacent table).

In our private bank, our global NPS increased to 42 points, compared with 25 points in 2022. This was largely due to increased customer satisfaction in Asia, with improved scores in Hong Kong, Singapore, Taiwan and mainland China. This was driven by relationship manager engagement and enhancements to our digital services.

In CMB, we were ranked among the top three banks against our competitors in four of our six key markets. We ranked first in Hong Kong and as a top three bank in mainland China, Singapore and Mexico. In India and the UK, we were ranked outside the top three. Our NPS rank improved in the UK, driven by our business banking customers and our top three ranking among UK corporate customers. Our NPS declined slightly among our mid-market enterprise customers.

In GBM, we had one of the highest NPS scores in the market against our competitors, including the quality of our digital trade finance platforms and for satisfaction with our digital capabilities.

Number of markets in top three or improving rank[1,2]

	2023
WPB[3]	**3 out of 6**
CMB	**5 out of 6**

1 The six markets comprise: the UK, Hong Kong, Mexico, mainland China, India and Singapore. Rank positions are provided using data gathered through third-party research agencies.
2 We benchmark our NPS against our key competitors to create a rank position in each market. This table is based is on the number of markets where we are in the top three or have improved rank from the previous year.
3 Our WPB NPS ranking in mainland China is based on 2022 results. Due to data integrity challenges, we are unable to produce a 2023 ranking. The next mainland China results will be in 2024.

Acting on feedback

We have continued to focus on developing our products and services, and enhancing our digital capabilities to improve customer experience.

In WPB, we redesigned our international products and services to make it quicker and easier to bank internationally. This involved the launch of six products and services across 10 international markets. International customers can open an international account digitally pre-departure, gain access to a credit card in their new market, and make use of cross-border payment solutions with 24/7 global support to manage their international needs.

In CMB, we introduced a new credit application system, the Digital Credit Portal, in 15 markets. It uses internal and external data combined with automation to streamline credit journeys. In Hong Kong, the portal also integrates with a credit decision engine to automate credit decisions for qualifying customers, reducing the assessment time on loan approvals from days to as little as a few minutes. Our digital onboarding tool, SmartServe, has been implemented in 21 markets to support international and domestic account opening. We have onboarded 89% of eligible customers through the digital platform, with 72% of customers rating this experience as 'easy'.

In GBM, we continued to execute our strategy and refine the client coverage model. In 2023, we accelerated our 'originate-to-distribute' model, providing clients with an effective capital efficiency strategy. We have refinanced our in-country and cross-border coverage model in mainland China and refreshed our growth plans in India based on client feedback. We also launched growth initiatives against our Asia-MENAT corridor to better service our clients.

How we listen

To improve how we serve our customers, we must be open to feedback and acknowledge when things go wrong. We continue to adapt at pace to provide support for customers facing new challenges, new ways of working and those that require enhanced care needs.

We aim to be open and consistent in how we track, record and manage complaints, although as we serve a wide range of customers – from personal banking and wealth customers to large corporates, institutions and governments – we tailor our approach in each of our global businesses. As the table on the right demonstrates, we have a consistent set of principles that enable us to remain customer-focused throughout the complaints process.

For further details of complaints volumes by geography, see our ESG Data Pack *at www.hsbc.com/esg.*

How we handle complaints

Our principles	Our actions
Making it easy for customers to complain	Customers can complain through the channel that best suits them. We provide a point of contact along with clear information on next steps and timescales.
Acknowledging complaints	All colleagues welcome complaints as opportunities and exercise empathy to acknowledge our customers' issues. Complaints are escalated if they cannot be resolved at first point of contact.
Keeping the customer up to date	We set clear expectations and keep customers informed throughout the complaint resolution process through their preferred channel.
Ensuring fair resolution	We thoroughly investigate all complaints to address concerns and ensure the right outcome for our customers.
Providing available rights	We provide customers with information on their rights and the appeal process if they are not satisfied with the outcome of the complaint.
Undertaking root cause analysis	Complaint causes are analysed on a regular basis to identify and address any systemic issues and to inform process improvements.

Wealth and Personal Banking ('WPB')

In 2023, we received approximately 1.2 million complaints from customers. The ratio of complaints per 1,000 customers per month in our large markets remained stable at around 2.3.

In the UK, complaints fell 19%. In 2023, we applied the new UK Consumer Duty rules to our complaint handling processes and invested in root cause analysis to ensure good outcomes and avoid instances of foreseeable harm. We will continue to focus on enhancing our processes and on training complaint handlers to improve the customer experience and reduce our complaint volumes further.

The decrease in complaints in Hong Kong was primarily driven by improvements in our digital capabilities to make it easier for customers to connect with us. Regular reviews, analysis of customer feedback and greater collaboration across business lines to address emerging customer pain points also contributed to the fall in complaints.

In response to an increase in credit and debit card fraud attacks in Mexico during the first quarter of 2023, we focused on strengthening our monitoring and fraud detection capabilities to help protect our customers. In October, we also released the new Visa Account Attack Intelligence tool to mitigate foreign e-commerce attacks on customer debit cards. As a result of these efforts, average monthly complaints in Mexico for the last nine months of the year decreased by 20.5% compared with the first quarter.

In our private bank, we received 507 complaints, an increase of 176 compared with 2022. This was largely due to growth in our customer base since establishing new private banking operations in the UAE and Mexico, along with an increase in complaints in the US. This led to an increase in administration and service issues, a high proportion of which were attributable to delays and errors in processing client instructions. Overall, the private bank resolved 465 complaints. Complaint data for the new private banking operation in India was reported within the WPB figures, pending system development to separately report the complaint figures.

WPB complaint volumes[1]
(per 1,000 customers per month)

		2023	2022
Total[2]		**2.3**	2.3
UK[3]	▼	**1.1**	1.4
Hong Kong[3]	▼	**0.9**	1.0
Mexico[3]	▲	**5.2**	5.1

1 A complaint is any expression of dissatisfaction about WPB's activities, products or services where a response or resolution is explicitly or implicitly expected.
2 Markets included: Hong Kong, mainland China, France, the UK, UAE, Mexico, Canada and the US.
3 The UK, Mexico and Hong Kong make up 86% of total complaints.

Acting on feedback

In 2023, we continued to develop and embed tools and capabilities across our business to deliver improved experiences for our customers around the world. Through our measurement of customer experience, we identify opportunities for improvement, develop agile customer experience plans and track and measure our progress. As a result of standardising our approach to customer experience globally, we have strengthened our capability to listen, understand and act on what our customers are telling us on a regular basis.

How we listen continued

Commercial Banking ('CMB')

In 2023, we received 45,899 customer and client complaints, a decrease of 27% from 2022. Of the overall volumes, 33,777 came from HSBC UK and 7,354 from Asia-Pacific.

The most common complaint related to servicing and transactions, with the largest volume of complaints globally coming from business banking customers, which represented 87% of our total complaints.

We attribute the overall decrease in our complaint volumes to enhanced training of our front-line colleagues to ensure they can identify the differences between a complaint, query and feedback. We also focused on addressing the root causes of the complaint trends, as well on improvements to our systems, processes and advice to our clients.

We resolved 47,812 complaints globally in 2023. The average resolution time for complaints was 24 days, which was just above our global target of 20 days.

CMB complaint volumes[1]
(000s)

		2023	2022
Total		**46**	63
UK	▼	**33.8**	49.2
Hong Kong	▼	**6.5**	8.1

Acting on feedback

In 2023, we focused on improvements to our governance of complaints, creating regular forums in key markets to ensure that analysis of the root cause of issues and trends are prioritised to enhance our understanding of pain points for our customers. Since the Covid-19 pandemic, there has been increased efforts Group-wide to identify customers who are more exposed to harm or declare as vulnerable. In 2023, we focused on identifying these complaint types to ensure that we can offer adjustments and support within our processes. This new process helps to improve our understanding and support of clients at risk of financial or non-financial harm to ensure our banking services are accessible to all.

Global Banking and Markets ('GBM')

In 2023, we received 1,552 customer complaints in Global Banking, a decrease of 27% from 2022. Of the overall complaint volumes, 49% came from Europe and 23% came from the Middle East, North Africa and Türkiye. The most common complaint, at 38% of total complaints, related to servicing, which was in line with previous years.

In Markets and Securities Services ('MSS') complaints increased by 21% to 354. We attribute some of the increase to improvements in our data reporting processes globally. The majority of complaints were operational in nature and resolved in a timely manner. Of the overall MSS complaints, 47% came from Europe and 34% from Asia, our two largest markets.

GBM complaint volumes[1]

		2023	2022
Total		**1,906**	2,419
Global Banking[2]	▼	**1,552**	2,127
Global Markets and Securities Services[3]	▲	**354**	292

Acting on feedback

We have continued to invest in our client feedback tool to create a more consistent and streamlined experience for colleagues across GBM and our wholesale businesses globally. In 2023, we introduced additional automation to improve the process of logging complaints, and simplified our procedures to make it easier for front-line colleagues to record feedback. We have also introduced mandatory training around conduct and complaints to ensure our people are acting on the feedback they receive and are consistent in how they evaluate queries and complaints.

1 Globally, a complaint is any expression of dissatisfaction, whether justified or not, relating to the provision of, or failure to provide, a specific product or service or service activity. Within the UK, a complaint is any expression of dissatisfaction – whether justified or not – about our products, services or activities which suggests we have caused (or might cause) financial loss, or material distress or material inconvenience.

2 Global Banking also includes Global Payments Solutions (previously known as Global Liquidity and Cash Management) and complaints relating to payment operations, which is part of Digital Business Services.

3 Contains Global Research complaint volumes.

Integrity, conduct and fairness

Safeguarding the financial system

We have continued our efforts to combat financial crime and reduce its impact on our organisation, customers and the communities that we serve. Financial crime includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing.

We manage financial crime risk because it is the right thing to do to protect our customers, shareholders, staff, the communities in which we operate, as well as the integrity of the financial system on which we all rely. We have a financial crime risk management framework that is applicable across all global businesses and functions, and in all countries and territories in which we operate. The financial crime risk framework, which is overseen by the Board, is supported by our financial crime policy that is designed to enable adherence to applicable laws and regulations globally. Annual global mandatory training is provided to all colleagues, with additional targeted training tailored to certain individuals. We carry out regular risk assessments to identify where we need to respond to evolving financial crime threats, as well as to monitor and test our financial crime risk management programme.

We continue to invest in new technology, including through the deployment of a capability to monitor correspondent banking activity. We are also enhancing our fraud monitoring capability and our trade screening controls, and investing in the application of machine learning to improve the accuracy and timeliness of our detection capabilities.

These new technologies should enhance our ability to respond effectively to unusual activity and be more granular in our risk assessments. This helps us to protect our customers, the organisation and the integrity of the global financial system against financial crime.

Our anti-bribery and corruption policy
Our global financial crime policy requires that all activity must be: conducted without intent to bribe or corrupt; reasonable and transparent; considered to not be lavish nor disproportionate to the professional relationship; appropriately documented with business rationale; and authorised at an appropriate level of seniority. There were no concluded legal cases regarding bribery or corruption brought against HSBC or its employees in 2023. Our global financial crime policy requires that we identify and mitigate the risk of our customers and third parties committing bribery or corruption. Among other controls, we use customer due diligence and transaction monitoring to identify and help mitigate the risk that our customers are involved in bribery or corruption. We perform anti-bribery and corruption risk assessments on third parties that expose us to this risk.

The scale of our work

Each month, on average, we monitor over 1.35 billion transactions for signs of financial crime. In 2023, we filed over 96,000 suspicious activity reports to law enforcement and regulatory authorities where we identified potential financial crime. We perform daily screening of 125 million customer records for sanctions exposure. In 2022, we reported screened customer records as a monthly average, although screening was, and continues to be, performed on a daily basis.

98%

Total percentage of permanent and non-permanent employees who received financial crime training, including on anti-bribery and corruption.

Whistleblowing

We want colleagues and stakeholders to have confidence in speaking up when they observe unlawful or unethical behaviour. We offer a range of speak-up channels to listen to the concerns of individuals and have a zero tolerance policy for acts of retaliation.

Listening through whistleblowing channels
Our global whistleblowing channel, HSBC Confidential, is one of our speak-up channels, which allows colleagues and other stakeholders to raise concerns confidentially and, if preferred, anonymously (subject to local laws). In most of our markets, HSBC Confidential concerns are raised through an independent third party, offering 24/7 hotlines and a web portal in multiple languages. We also provide and monitor an external email address for concerns about accounting, internal financial controls or auditing matters (accountingdisclosures@hsbc.com). Concerns are investigated proportionately and independently, with action taken where appropriate. This can include disciplinary action, such as dismissal and adjustments to variable pay and performance ratings, or operational actions including changes to policies and procedures.

We actively promote our full range of speak-up channels to colleagues to help ensure their concerns are handled through the most effective route. In 2023, 4% fewer concerns were raised through HSBC Confidential compared with 2022. Of the concerns investigated through the HSBC Confidential channel in 2023, 81% related to individual behaviour and personal conduct, 14% to security and fraud risks, 4% to compliance risks and less than 1% to other categories.

The Group Audit Committee has oversight of the Group's whistleblowing arrangements, and the Chair of the Group Audit Committee acts as HSBC's Whistleblowers' Champion with responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Group's policies and procedures.

Regulatory Compliance sets the whistleblowing policy and procedures, and provides the Group Audit Committee with periodic updates on their effectiveness. Specialist teams and investigation functions own whistleblowing controls, with monitoring in place to determine control effectiveness.

For further details of the role of the Group Audit Committee in relation to whistleblowing, see page 270.

HSBC Confidential concerns raised in 2023:

1,746

(2022: 1,817)

Substantiation rate of concerns investigated through HSBC Confidential in 2023:

41%

(2022: 41%)

A responsible approach to tax

We seek to pay our fair share of tax in all jurisdictions in which we operate, and to minimise the likelihood of customers using our products and services to evade or inappropriately avoid tax. We also abide by international protocols that affect our organisation. Our approach to tax and governance processes is designed to achieve these goals.

Through adoption of the Group's risk management framework, we seek to ensure that we do not adopt inappropriately tax-motivated transactions or products, and that tax planning is scrutinised and supported by genuine commercial activity. HSBC has no appetite for using aggressive tax structures.

With respect to our own taxes, we are guided by the following principles:

- We are committed to applying both the letter and spirit of the law. This includes adherence to a variety of measures arising from the OECD Base Erosion and Profit Shifting initiative including the 'Pillar Two' global minimum tax rules which will apply to the Group from 2024. These rules seek to ensure that the Group pays tax at a minimum rate of 15% in each jurisdiction in which it operates. We have identified 12 jurisdictions that may have an effective tax rate below 15% in 2024. We continually monitor the number of active subsidiaries within each jurisdiction as part of our ongoing entity rationalisation programme.
- We seek to ensure that our entities active in nil or low tax jurisdictions have clear business rationale for why they are based in these locations and appropriate transparency over their activities.
- We seek to have open and transparent relationships with all tax authorities. Given the size and complexity of our organisation, which operates across over 60 jurisdictions, a number of areas of differing interpretation or disputes with tax authorities exist at any point in time. We cooperate with the relevant local tax authorities to mutually agree and resolve these in a timely manner.

With respect to our customers' taxes, we are guided by the following principles:

- We have made considerable investments to support external tax transparency initiatives and reduce the risk of banking services being used to facilitate customer tax evasion. Initiatives include the US Foreign Account Tax Compliance Act, the OECD Standard for Automatic Exchange of Financial Account Information ('Common Reporting Standard'), and the UK legislation on the corporate criminal offence of failing to prevent the facilitation of tax evasion.
- We implement processes that aim to ensure that inappropriately tax-motivated products and services are not provided to our customers.

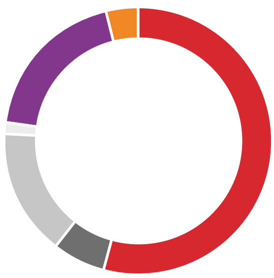
Our tax contributions

The effective tax rate for the year of 19.1% was higher than in the previous year (2022: 4.7%). The effective tax rate for the year was increased by 2.3% from the non-taxable impairment of the Group's interest in BoCom, and reduced by 1.6% by the release of provisions for uncertain tax positions and by 1.5% by the non-taxable provisional gain on the acquisition of SVB UK. Further details are provided on page 369.

The UK bank levy charge for 2023 of $339m was higher than the charge of $13m in 2022, mainly due to adjustments arising upon filing prior year returns, which represented a credit in 2022 and a charge in 2023.

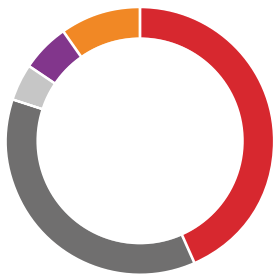
As highlighted below, in addition to paying $6.8bn of our own tax liabilities during 2023, we collected taxes of $10.8bn on behalf of governments around the world. A more detailed geographical breakdown of the taxes paid in 2023 is provided in the *ESG Data Pack*.

Taxes paid – by type of tax



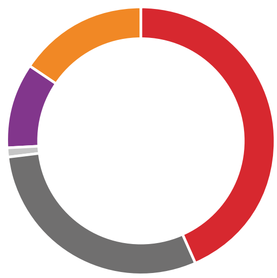
- Tax on profits **$3,685m** (2022: $2,429m)
- Withholding taxes **$432m** (2022: $361m)
- Employer taxes **$1,052m** (2022: $1,041m)
- Bank levy **$57m** (2022: $314m)
- Irrecoverable VAT **$1,298m** (2022: $1,152m)
- Other duties and levies **$249m**[1] (2022: $232m)

Taxes paid – by region



- Europe **$2,945m** (2022: $2,745m)
- Asia-Pacific **$2,488m** (2022: $1,894m)
- Middle East, North Africa and Türkiye **$296m** (2022: $259m)
- North America **$389m** (2022: $207m)
- Latin America **$655m** (2022: $424m)

Taxes collected – by region



- Europe **$4,714m** (2022: $4,197m)
- Asia-Pacific **$3,226m** (2022: $3,274m)
- Middle East, North Africa and Türkiye **$77m** (2022: $67m)
- North America **$1,119m** (2022: $1,129m)
- Latin America **$1,680m** (2022: $1,493m)

1 Other duties and levies includes property taxes of $91m (2022: $94m)

Conduct: Our product responsibilities

Our conduct approach guides us to do the right thing and to focus on the impact we have for our customers and the financial markets in which we operate. It is embedded into the way we design, approve, market and manage products and services, with a focus on five clear outcomes:

- We understand our customers' needs.
- We provide products and services that offer a fair exchange of value.
- We service customers' ongoing needs and put it right if we make a mistake.
- We act with integrity in the financial markets we operate in.
- We operate resiliently and securely to avoid harm to customers and markets.

We train all our colleagues on our approach to customer and market conduct, helping to ensure our conduct outcomes are part of everything we do.

Designing products and services
Our approach to product development is set out in our policies and provides a clear basis on which informed decisions can be made. Our policies require that products must be fit-for-purpose throughout their existence, meeting regulatory requirements and associated conduct outcomes.

Our approach includes:

- designing products to meet identified customer needs;
- managing products through governance processes, helping to ensure they meet customers' needs and deliver a fair exchange of value;
- periodically reviewing products to help ensure they remain relevant and perform in line with expectations we have set; and
- improving, or withdrawing from sale, products which do not meet our customers' needs or no longer meet our high standards.

Meeting our customers' needs
Our policies and procedures set standards to ensure that we consider and meet customer needs. These include:

- enabling customers to understand the key features of products and services;
- enabling customers to make informed decisions before purchasing a product or service; and
- ensuring processes are in place for the provision of advice to customers.

They help us provide the right outcomes for customers, including those with enhanced care needs. This helps us to support customers who are more vulnerable to external impacts, including the current cost of living crisis (see 'Supporting our customers in challenging economic times' on page 15).

Financial promotion
Our policies help to ensure that in the sale of products and services, we use marketing and product materials that support customer understanding and fair customer outcomes. This includes providing information on products and services that is clear, fair and not misleading. We also have controls in place to ensure our cross-border marketing complies with relevant regulatory requirements.

Product governance
Our product management policy covers the entire lifecycle of the product. This helps ensure that our products meet our requirements before we sell them and allows continued risk-based oversight of product performance against the intended customer outcomes.

When we decide to withdraw a product from sale, we aim to consider the implications for our existing customers and agree actions to help them achieve a fair outcome where appropriate.

Our approach with our suppliers

We maintain global standards and procedures for the onboarding and use of third-party suppliers. We require suppliers to meet our third-party risk compliance standards and we assess them to identify any financial stability concerns.

Sustainable procurement
Supporting and engaging with our supply chain is vital to the development of our sustainable procurement processes. In 2023:

- We published net zero guides to help buyers and suppliers understand our net zero ambitions. The guides explain our carbon reduction requirements and provide practical advice for meeting these ambitions, as laid out in our supplier code of conduct.
- We began developing decarbonisation plans for high-emitting procurement categories, including real estate services, telecommunications, data centres and servers, and computer hardware. Engagement with suppliers has given us a better understanding of their decarbonisation efforts and the challenges and opportunities of achieving net zero in these categories. As a result, strategies for these procurement categories will include decarbonisation plans from 2024 onwards.
- We completed analysis to understand the impacts and dependencies of our supply chain on biodiversity. The analysis will inform the development of a biodiversity strategy for global procurement in 2024, to reduce supply chain biodiversity impacts.
- We launched the supplier diversity portal in the UK and US. The portal enables small and medium-sized enterprises or businesses, which are majority-owned, operated and controlled by historically underrepresented groups, to register interest in becoming an HSBC supplier. For further details, see www.hsbc.com/our-approach/risk-and-responsibility/working-with-suppliers.

Supplier code of conduct
Our supplier code of conduct sets out our ambitions, targets and commitments on the environment, diversity and human rights, and outlines the minimum standards we expect of our suppliers on these issues. We seek to formalise adherence to the code with clauses in our supplier contracts, which support the right to audit and act if a breach is discovered. At the end of 2023, 95% of approximately 10,400 contracted suppliers had either confirmed adherence to the supplier code of conduct or provided their own alternative that was accepted by our Global Procurement function.

For further details of the number of suppliers in each geographical region, see the ESG Data Pack *at www.hsbc.com/esg.*

Safeguarding data

Data privacy

We are committed to protecting and respecting the data we hold and process, in accordance with the laws and regulations of the markets in which we operate.

Our approach rests on having the right talent, technology, systems, controls, policies and processes to ensure appropriate management of privacy risk. Our Group-wide privacy policy and principles provide a consistent global approach to managing data privacy risk, and must be applied by all our global businesses and functions. Our privacy principles are available at www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/operational-risk.

We conduct regular employee training and awareness sessions on data privacy and security issues throughout the year. This includes mandatory training for all our colleagues globally, with additional training sessions, where needed, to keep up to date with new developments in this space.

We provide transparency to our customers and stakeholders on how we collect, use and manage their personal data, and their associated rights. Where relevant, we work with third parties to help ensure adequate protections are provided, in line with our data privacy policy and as required under data privacy law. We offer a broad range of channels in the markets where we operate, through which customers and stakeholders can raise concerns about the privacy of their data.

Our dedicated privacy teams report to the highest level of management on data privacy risks and issues, and oversee our global data privacy programmes. We review data privacy regularly at multiple governance forums, including at Board level, to help ensure appropriate challenge and visibility for senior executives. Data privacy laws and regulations continue to evolve globally. We continually monitor the regulatory environment to ensure we respond appropriately to any changes.

As part of our three lines of defence model, our Global Internal Audit function provides independent assurance as to whether our data privacy risk management approaches and processes are designed and operating effectively. In addition, we have established data privacy governance structures, and continue to embed accountability across all businesses and functions.

We continue to implement industry practices for data privacy and security. Our privacy teams work closely with our data protection officers, industry bodies and research institutions to drive the design, implementation and monitoring of privacy solutions. We conduct regular reviews and privacy risk assessments, and continue to develop solutions to strengthen our data privacy controls.

We continue to enhance our internal data privacy tools to improve accountability for data privacy. We have procedures to articulate the actions needed to deal with data privacy considerations. These include notifying regulators, customers or other data subjects, as required under applicable privacy laws and regulations, in the event of a reportable incident occurring.

Intellectual property rights practices
We have a group intellectual property risk policy, supported by controls and guidance, to manage risk relating to intellectual property. This is to help ensure that commercially and strategically valuable intellectual property is identified and protected appropriately, including by applying to register trademarks and patents and enforcing our intellectual property rights against unauthorised use by third parties. Our intellectual property framework also helps us avoid infringement of third-party intellectual property rights, supporting our consistent and effective management of intellectual property risk in line with our risk appetite.

Data Privacy Day

In January 2023, we held a hybrid roundtable event for our colleagues to mark International Data Privacy Day. The event was hosted by our Global Head of Data Legal, and guest speakers included the former UK Information Commissioner and industry specialists from an external law firm, with HSBC's own data privacy experts in attendance.

The event covered privacy-related developments likely to have the greatest impact across the Group. Key themes included upcoming data privacy reforms in the UK and the implications for global organisations, and trends in enforcement of data privacy laws and regulations. We also reviewed the impact, successes and challenges of General Data Protection Regulation ('GDPR') implementation globally.

The ethical use of data and AI

Artificial intelligence and other emerging technologies provide the opportunity to process and analyse data at a depth and breadth not previously possible. While these technologies offer significant potential benefits for our customers, they also pose potential ethical risks for the financial services industry and society as a whole. We have a set of principles to help ensure we consider and address the ethical issues that could arise. HSBC's Principles for the Ethical Use of Data and Artificial Intelligence are available at www.hsbc.com/who-we-are/esg-and-responsible-business/our-conduct.

We continue to develop and enhance our approach to, and oversight of, AI, taking into consideration the fast-evolving regulatory landscape, market developments and best practice.

Cybersecurity

The threat of cyber-attacks remains a concern for our organisation, as it does across the financial sector and other industries. As cyber-attacks continue to evolve, failure to protect our operations may result in the loss of sensitive data, disruption for our customers and our business, or financial loss. This could have a negative impact on our customers and our reputation, among other risks.

We continue to monitor ongoing geopolitical events and changes to the cyber threat landscape and take proactive measures with the aim to reduce any impact to our customers.

Prevent, detect and mitigate
We invest in business and technical controls to help prevent, detect and mitigate cyber threats. Our cybersecurity controls follow a 'defence in depth' approach, making use of multiple security layers, recognising the complexity of our environment. Our ability to detect and respond to attacks through round-the-clock security operations centre capabilities is intended to help reduce the impact of attacks.

We have a cyber intelligence and threat analysis team, which proactively collects and analyses internal and external cyber information to continuously evaluate threat levels for the most prevalent attack types and their potential outcomes. We actively participate in the broader cyber intelligence community, including by sharing technical expertise in investigations, alongside others in the financial services industry and government agencies around the world.

In 2023, we further strengthened our cyber defences and enhanced our cybersecurity capabilities with the objective to help reduce the likelihood and impact of unauthorised access, security vulnerabilities being exploited, data leakage, third-party security exposure, and advanced malware. These defences build upon a proactive data analytical approach to help identify advanced targeted threats and malicious behaviour.

We work with our third parties, including suppliers, financial infrastructure bodies and other non-traditional third parties, in an effort to help reduce the threat of cyber-attacks impacting our business services.

We have a third-party security risk management process in place to assess, identify and manage the risks associated with cybersecurity threats with supplier and other third-party relationships. The process includes risk-based cybersecurity due diligence reviews that assess third parties' cybersecurity programmes against our standards and requirements.

Policy and governance
We have a robust suite of cybersecurity policies, procedures and key controls designed to help ensure that the organisation is well managed, with effective oversight and control. This includes but is not limited to defined information security responsibilities for employees, contractors and third parties, as well as standard procedures for cyber incident identification, investigation, mitigation and reporting.

We operate a three lines of defence model, aligned to the enterprise risk management framework, to help ensure oversight and challenge of our cybersecurity capabilities and priorities. In the first line of defence, we have risk owners within global businesses and functions who are accountable for identifying and managing cyber risk. They work with cybersecurity control owners to apply the appropriate risk treatment in line with our risk appetite. Our controls are designed to be executed in line with our policies and are reviewed and challenged by our risk stewards representing the second line of defence. They are independently assured by the Global Internal Audit function, the third line of defence. The assessment and management of our cybersecurity risk is led and coordinated by a Global Chief Information Security Officer, who has extensive experience in financial services, security and resilience, as well as in strategy, governance, risk management and regulatory compliance. The Global Chief Information Security Officer is supported by regional and business level chief information security officers. In the event of incidents, the Global Chief Information Security Officer and relevant supporting officers are informed by our security operations team and are engaged in alignment with our cybersecurity incident response protocols.

Key performance indicators, control effectiveness and other matters related to cybersecurity, including significant cyber incidents, are presented on a regular basis to various management risk and control committees including to the Board, the Group Risk Management Meeting and across global businesses, functions and regions. This is done to ensure ongoing awareness and management of our cybersecurity position.

Our cybersecurity capabilities are regularly assessed against the National Institute of Standards and Technology framework by independent third parties, and we proactively collaborate with regulators to participate in regular testing activities. HSBC also engages external independent third parties to support our penetration and threat-led penetration testing, which help to identify vulnerabilities to cyber threats and test security resilience.

Cyber training and awareness
We understand the important role our people play in protecting against cybersecurity threats. Our aim is to equip every colleague with the appropriate tools and behaviours they need to keep our organisation and customers' data safe. We provide cybersecurity training and awareness to our people, ranging from our top executives to IT developers to front-line relationship managers around the world.

Over 94% of our IT developers hold at least one of our enhanced security certifications to help ensure we build secure systems and products.

We host an annual Cyber Awareness Month for all colleagues, covering topics such as online safety at home, social media safety, safe hybrid working, and cyber incidents and response. Our dedicated cybersecurity training and awareness team provides a wide range of education and guidance to both customers and our colleagues about how to identify and prevent online fraud.

Over 99%

Employees completed mandatory cybersecurity training on time.

Over 94%

IT developers hold at least one of our internal secure developer certifications.

Over 90

Cybersecurity education events were held globally.

Over 96%

Of survey respondents to cybersecurity education events said they have a better understanding of cybersecurity following these events.

Financial review

The financial review gives detailed reporting of our financial performance at Group level as well as across our different global businesses and legal entities.

Moving to a dynamic new London HQ

Our global headquarters is to relocate to the heart of the City of London, after we signed contracts to move to the new Panorama St Paul's development.

When selecting our future location, we wanted a head office that provides flexible, dynamic and inclusive workspaces for colleagues and clients. We also wanted the choice of building to contribute to our net zero commitments through sustainable design, with the building constructed to high sustainability standards, using predominantly repurposed materials.

With our lease at our existing Canary Wharf office expiring in early 2027, we expect colleagues to start moving to Panorama St Paul's from late 2026.

Financial summary

Contents

Changes to presentation from 1 January 2023

Changes to our reporting framework

On 1 January 2023, we updated our financial reporting framework. We no longer report 'adjusted' results, which excluded the impact of both foreign currency translation differences and significant items. Instead, we compute constant currency performance by adjusting comparative reported results only for the effects of foreign currency translation differences between the relevant periods. This will enable users to understand the impact of foreign currency translation differences on the Group's performance. We separately disclose 'notable items', which are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature. While our primary segmental reporting by global business remains unchanged, effective from 1 January 2023, the Group changed the supplementary presentation of results from geographical regions to main legal entities to better reflect the Group's structure.

IFRS 17 'Insurance Contracts'

On 1 January 2023, HSBC adopted IFRS 17 'Insurance Contracts'. As required by the standard, the Group applied the requirements retrospectively with comparative data previously published under IFRS 4 'Insurance Contracts' restated from the 1 January 2022 transition date. As required by IAS 1 'Presentation of Financial Statements' a third statement of financial position as at the transition date of 1 January 2022 has been disclosed (for further details, see page 331). Under IFRS 17 there is no present value of in-force business ('PVIF') asset recognised up front. Instead the measurement of the insurance contract liability takes into account fulfilment cash flows and a contractual service margin ('CSM') representing the unearned profit. In contrast to the Group's previous IFRS 4 accounting where profits are recognised up front, under IFRS 17 they are deferred and systematically recognised in revenue as services are provided over the expected coverage period. The CSM also includes directly attributable costs, which had previously been expensed as incurred and which are now incorporated within the insurance liability measurement and recognised over the expected coverage period.

In conjunction with the implementation of IFRS 17, the Group has made use of the option to re-designate to fair value through profit or loss assets that were previously held at amortised cost totalling $55.1bn, and eligible assets previously held at fair value through other comprehensive income totalling $1.1bn. The re-designation of amortised cost assets generated a net increase to assets of $4.9bn because the fair value measurement on transition was higher than the previous amortised cost carrying amount.

The impact of the transition was a reduction of $1.1bn on the Group's full-year 2022 reported revenue and a reduction of $0.5bn on full-year 2022 reported profit before tax. The Group's total equity at 1 January 2022 reduced by $10.5bn to $196.3bn on the transition, and tangible equity reduced by $2.4bn to $146.9bn. For further details of our adoption of IFRS 17, see Note 38 'Effects of adoption of IFRS 17' on page 422.

Cost target

At our full-year 2022 results, we set a target for our 'adjusted' operating expenses of growth for 2023 compared with 2022. Under our new reporting framework we no longer present 'adjusted' results. The exception to this is for operating expenses, where our 'target basis' will adjust reported results for notable items and the period-on-period effects of foreign currency translation differences. We also exclude the impact of retranslating comparative period financial information at the latest rates of foreign exchange in hyperinflationary economies, which is not within our control. We consider that this measure provides useful information to investors by quantifying and excluding the items that management considered when setting and assessing cost-related targets. In our target basis, we also exclude the costs related to the acquisition of SVB UK and related investments internationally, which are expected to add approximately 1% to our cost growth compared with 2022.

Our 2022 baseline for operating expenses on this basis is $29.8bn, which has been retranslated at the average rates of foreign exchange for 2023.

Resegmentation

In the first quarter of 2023, following an internal review to assess which global businesses were best suited to serve our customers' respective needs, a portfolio of our Global Banking customers within our entities in Latin America was transferred from GBM to CMB for reporting purposes. Comparative data have been re-presented accordingly. Similar smaller transfers from GBM to CMB were also undertaken within our entities in Australia and Indonesia, where comparative data have not been re-presented.

Banking NII

At our interim 2023 results, we introduced banking net interest income. This alternative performance measure is reconciled on page 104, and deducts from Group reported net interest income: the impact of the cost of funding reported in net interest income used to fund trading and fair value net assets; the impact of foreign exchange swaps in Markets Treasury, where an offsetting income or loss is recorded in trading and fair value income, and third-party net interest income from our insurance business.

This resulting measure is intended to approximate the Group's banking revenue that is directly impacted by changes in interest rates.

Use of alternative performance measures

Our reported results are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards'), as detailed in the financial statements starting on page 329.

To measure our performance, we supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures, which constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with US Securities and Exchange Commission rules and regulations. These measures include those derived from our reported results that eliminate factors that distort year-on-year comparisons. The 'constant currency performance' measure used throughout this report is described below. Definitions and calculations of other alternative performance measures are included in our 'Reconciliation of alternative performance measures' on page 130. In addition, insurance-specific non-GAAP measures including 'Insurance manufacturing value of new business', 'Insurance manufacturing proxy embedded value', and 'Insurance equity plus CSM net of tax' are provided on pages 116 to 117, together with their definitions and reconciliation to GAAP measures. All alternative performance measures are reconciled to the closest reported performance measure.

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

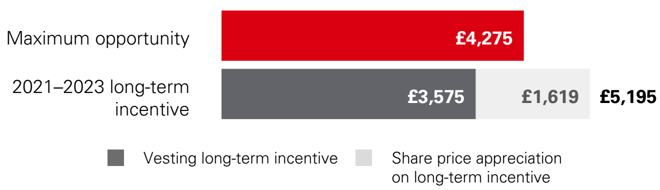
Summary remuneration outcomes for 2023 are set out below. Further details are set out in our annual report on Directors' remuneration on pages 284 to 286.

Noel Quinn

Annual incentive outcome (£000)

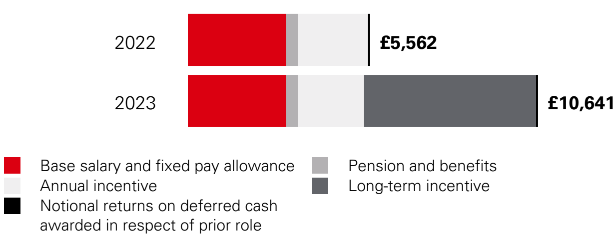
Georges Elhedery

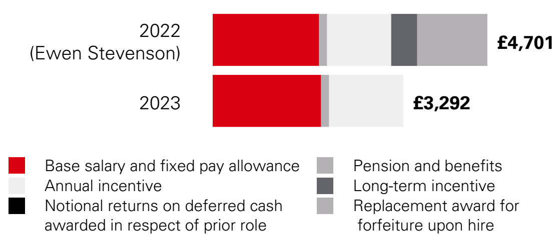
Long-term incentive outcome (£000)



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

Single figure of remuneration (£000)





Shareholding (% of base salary)

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 Weighting (%)	Noel Quinn Assessment (%)	Noel Quinn Outcome (%)	Georges Elhedery Weighting (%)	Georges Elhedery Assessment (%)	Georges Elhedery 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.

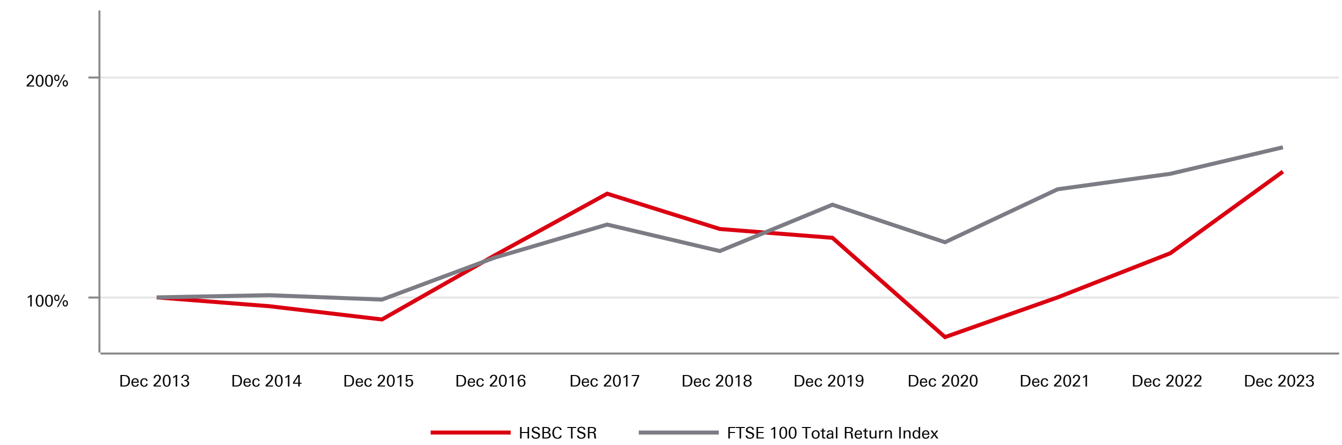
Identification of MRTs	– We identify individuals as MRTs based on qualitative and quantitative criteria set out in the PRA's and FCA's Remuneration Rules. Our identification process is underpinned by the following key principles:
	  – MRTs are identified at Group, HSBC Bank (consolidated) and HSBC UK 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.

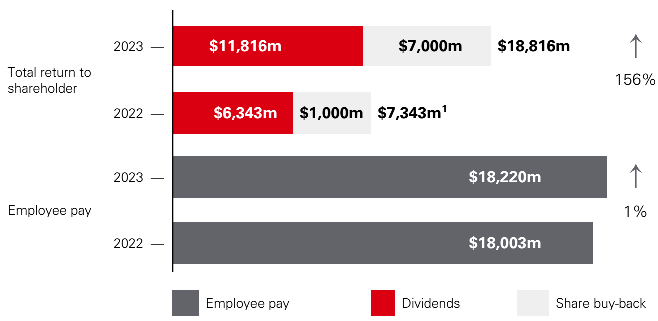
Relative importance of spend on pay

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.*