

Corporate Governance

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1 Appendix to Report of the Directors.

Corporate Governance Report

The statement of corporate governance practices set out on pages 249 to 335 and information incorporated by reference constitutes the Corporate Governance Report of HSBC Holdings. The reports of Board Committees are contained within the Corporate Governance Report.

Directors

Douglas Flint, CBE, 60

Group Chairman

Appointed to the Board: December 1995. Group Chairman since December 2010.



Skills and experience: Douglas has extensive board-level experience and knowledge of governance primarily gained through membership of the boards of HSBC and BP plc and his time as a partner of KPMG. He has considerable knowledge of finance and risk management in banking, multinational financial reporting, treasury and securities trading operations and has chaired and been a member of highly influential bodies which set standards for taxation, governance, accounting and risk management. He joined HSBC as Group Finance Director in 1995, which broadened to that of Chief Financial Officer, Executive Director Risk and Regulation.

He is a member of the Institute of Chartered Accountants of Scotland and the Association of Corporate Treasurers and also a Fellow of the Chartered Institute of Management Accountants. In 2006, he was honoured with a CBE in recognition of his services to the finance industry. Former appointments include non-executive director and chairman of the Audit Committee of BP plc and an independent external member of the UK Government's Financial Services Trade and Investment Board.

Current appointments include: Douglas is Chairman of the Institute of International Finance and serves on the International Business Leaders Advisory Councils of the mayors of both Beijing and Shanghai. At the invitation of the Prime Minister he serves as a UK Business Ambassador.

Stuart Gulliver, 56

Group Chief Executive

Appointed to the Board: May 2008. Group Chief Executive since January 2011.



Skills and experience: Stuart joined HSBC in 1980. He is a career banker with over 35 years' international experience. He has held a number of key roles in the Group's operations worldwide, including in London, Hong Kong, Tokyo, Kuala Lumpur and the United Arab Emirates. Stuart played a leading role in developing and expanding Global Banking and Markets. Other former appointments include serving as Chairman of Europe, Middle East and Global Businesses and of HSBC Bank plc, HSBC Bank Middle East Limited, HSBC Private Banking Holdings (Suisse) SA and HSBC France and Deputy Chairman of HSBC Trinkaus & Burkhardt AG and a member of its supervisory board. He was Head of Global Banking and Markets; Co-Head of Global Banking and Markets; Head of Global Markets; and Head of Treasury and Capital Markets in Asia-Pacific.

Current appointments include: Stuart is Chairman of The Hongkong and Shanghai Banking Corporation Limited and of the Group Management Board.

Phillip Ameen, 67
Independent non-executive Director
Appointed to the Board: January 2015



Member of the Group Audit Committee.

Skills and experience: As a Certified Public Accountant with extensive financial and accounting experience, Phil served as Vice President, Comptroller, and Principal Accounting Officer of General Electric Company ('GE'). Prior to joining GE, he was a partner in KPMG. He also has a depth of technical knowledge from his participation in accounting standards setting. Other former appointments include serving on the International Financial Reporting Interpretations Committee of the International Accounting Standards Board, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board Emerging Issues Task Force, and he was Chair of the Committee on Corporate Reporting of Financial Executives International and a Trustee of the Financial Accounting Foundation.

Current appointments include: Phillip is a non-executive director of HSBC North America Holdings Inc., HSBC Bank USA N.A., HSBC Finance Corporation and HSBC USA Inc. He is also Chairman of Skyonic Corporation.

Kathleen Casey, 49
Independent non-executive Director
Appointed to the Board: March 2014



Member of the Group Audit Committee and the Financial System Vulnerabilities Committee.

Skills and experience: Kathleen has extensive financial regulatory policy experience. She is a former Commissioner of the US Securities and Exchange Commission, acting as the regulator's principal representative in multilateral and bilateral regulatory dialogues, the G-20 Financial Stability Board and the International Organisation of Securities Commissions. Other former appointments include serving as a Staff Director and Counsel of the United States Senate Committee on Banking, Housing, and Urban Affairs and Legislative Director and Chief of Staff for a US Senator.

Current appointments include: Kathleen is chair of the Alternative Investment Management Association and a senior adviser to Patomak Global Partners and to a number of public bodies in the US.

Laura Cha, GBS, 66
Independent non-executive Director
Appointed to the Board: March 2011



Chairman of the Philanthropic & Community Investment Oversight Committee, member of the Conduct & Values Committee and the Nomination Committee.

Skills and experience: Laura has extensive regulatory and policy making experience in the finance and securities sector in Hong Kong and mainland China. She is the former Vice Chairman of the China Securities Regulatory Commission. Other former appointments include serving as a non-executive director of Bank of Communications Co., Ltd., Hong Kong Exchanges and Clearing Limited and Tata Consultancy Services Limited. She also served as chair of the University Grants Committee in Hong Kong and was deputy chair of the Securities and Futures Commission in Hong Kong.

Current appointments include: Laura is non-executive Deputy Chairman of The Hongkong and Shanghai Banking Corporation Limited. She is Chairman of the Financial Services Development Council, Hong Kong and a non-executive director of China Telecom Corporation Limited, Unilever PLC and Unilever N.V.

Henri de Castries, 61
Independent non-executive Director
Appointed to the Board with effect from 1 March 2016



Skills and experience: Henri has more than 25 years of international experience in the finance industry. He joined AXA in 1989 where his roles included responsibility for the group's asset management, financial and real-estate businesses, the oversight of North American and UK operations, as well as the preparation and the execution of all the major mergers and acquisitions undertaken by the insurance group during the 1990s.

Current appointments include: Henri is Chairman and Chief Executive Officer of AXA. He is also Chairman of the French leading think-tank Institut Montaigne and of AXA Hearts in Action, AXA's volunteer community outreach programme. He also serves as a non-executive director of Nestlé S.A. and of the French National Foundation for Political Science (FNPS). He is a member of the Advisory Board of Tsinghua University School of Economics and Management.

Lord Evans of Weardale, 58
Independent non-executive Director
Appointed to the Board: August 2013



Chairman of the Financial System Vulnerabilities Committee and a member of the Conduct & Values Committee and the Philanthropic & Community Investment Oversight Committee.

Skills and experience: Jonathan has extensive experience in national security policy and operations. He was formerly Director General of MI5 with responsibility for the leadership, policy and strategy of the Security Service, including international and domestic counter-terrorism, counter-espionage and counter-proliferation activities and cyber security. Jonathan has held various positions in the UK Security Service over a 30-year career with responsibility for the oversight of the Joint Terrorist Analysis Centre and the Centre for the Protection of National Infrastructure and attended the National Security Council.

Current appointments include: Jonathan is a director of Ark Data Centres and serves in an advisory capacity to various cybersecurity and technology companies.

Joachim Faber, 65
Independent non-executive Director
Appointed to the Board: March 2012



Chairman of the Group Risk Committee.

Skills and experience: Joachim has experience in banking and asset management with significant international experience, having worked in Germany, Tokyo, New York and London. He is a former Chief Executive Officer of Allianz Global Investors AG and is a member of the management board of Allianz SE. He spent 14 years with Citigroup Inc., holding positions in Trading and Project Finance and as Head of Capital Markets for Europe, North America and Japan. Other former appointments include serving as chairman of various Allianz subsidiaries. He was previously a member of the supervisory board and chairman of the audit and risk committee of OSRAM Licht AG. He was also a member of the German Council for Sustainable Development and a member of the advisory board of the Siemens Group Pension Board.

Current appointments include: Joachim is Chairman of the supervisory board of Deutsche Börse AG and of the Shareholder Committee of Joh A. Benckiser SARL. He is an independent director of Coty Inc. and a director of Allianz France S.A.

Rona Fairhead, CBE, 54
Independent non-executive Director
Appointed to the Board: March 2004.
She will retire from the Board at the conclusion of the HSBC Holdings AGM on 22 April 2016.



Member of the Financial System Vulnerabilities Committee and the Nomination Committee.

Skills and experience: Rona has a background in international industry, publishing, finance and general management. She was a former chair and Chief Executive Officer of the Financial Times Group Limited responsible for its strategy, management and operations and was Finance Director of Pearson plc with responsibility for the finance function, global financial reporting and control, tax and treasury. Other former appointments include serving as an Executive Vice President, Strategy and Group Control of Imperial Chemical Industries plc and Chairman and director of Interactive Data Corporation. She was a member of the board of the UK Government's Cabinet Office and a non-executive director of The Economist Newspaper Limited.

Current appointments include: Rona is a non-executive director of PepsiCo Inc. and chair of the BBC Trust. She handed over her responsibility as chair of HSBC North American Holdings Inc. to Heidi Miller on 1 January 2016 and will remain on its board as a non-executive director until she retires from the HSBC Holdings Board on 22 April 2016.

Sam Laidlaw, 60
Independent non-executive Director
Appointed to the Board: January 2008



Chairman of the Group Remuneration Committee and the Nomination Committee.

Skills and experience: Sam has international experience, particularly in the energy sector, having had responsibility for businesses in four continents. He is a qualified solicitor with a Master's in Business Administration. Former appointments include serving as Chief Executive Officer of Centrica plc and the lead non-executive board member of the UK Department for Transport. Sam was also an Executive Vice President of Chevron Corporation and a member of the UK Prime Minister's Business Advisory Group.

Current appointments include: Sam is the chair of National Centre for Universities and Business and Executive Chairman of Neptune Oil & Gas Limited.

Irene Lee, 62

Independent non-executive Director

Appointed to the Board: July 2015



Skills and experience: Irene has over 30 years of finance industry experience. She has held senior positions in investment banking and fund management in the UK, USA and Australia including Citibank and the Commonwealth Bank of Australia. Other former appointments include serving as a member of the Advisory Council of JP Morgan Australia and the Australian Takeovers Panel.

Current appointments include: Irene is Executive Chairman of Hysan Development Company Limited. She is also a non-executive director of The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited. She is a non-executive director of Cathay Pacific Airways Limited, China Light & Power Holdings Limited and Noble Group Limited.

John Lipsky, 69

Independent non-executive Director

Appointed to the Board: March 2012



Member of the Group Risk Committee, the Nomination Committee and the Group Remuneration Committee.

Skills and experience: John has international experience having worked for JPMorgan in Chile, New York, Washington and London and interacted with financial institutions, central banks and governments in many countries. He served at the International Monetary Fund as First Deputy Managing Director, Acting Managing Director and as Special Adviser. Other former appointments include serving as a trustee of the Economic Club of New York, and a Global Policy Adviser for Anderson Global Macro, LLC and as Chairman of the World Economic Forum's Global Agenda Council on the International Monetary System.

Current appointments include: John holds a number of senior appointments and advisory positions in international economic research organisations.

Rachel Lomax, 70

Independent non-executive Director

Appointed to the Board: December 2008. Senior Independent non-executive Director since April 2015



Chairman of the Conduct & Values Committee and a member of the Group Audit Committee, Group Risk Committee and the Nomination Committee.

Skills and experience: Rachel has experience in both the public and private sectors and knowledge of the operation of the UK government and financial system. Her former

appointments include serving as Deputy Governor of the Bank of England and Permanent Secretary at the UK Government Departments for Transport and Work and Pensions and the Welsh Office. She was a non-executive director of Reinsurance Group of America Inc. and The Scottish American Investment Company PLC.

Current appointments include: Rachel is a non-executive director of Arcus European Infrastructure Fund GP LLP, and Heathrow Airport Holdings Limited. She is also a non-executive director and chairman of the corporate responsibility committee of Serco Group plc.

Iain Mackay, 54

Group Finance Director

Appointed to the Board: December 2010



Skills and experience: Iain joined HSBC in 2007 as Chief Financial Officer of HSBC North America Holdings Inc. He has extensive financial and international experience, having worked in London, Paris, the US, Africa and Asia. Iain is a member of the Institute of Chartered Accountants of Scotland. Other former appointments include serving as a director of Hang Seng Bank Limited, Chief Financial Officer, Asia-Pacific, Vice President and Chief Financial Officer of GE Global Consumer Finance and Vice President and Chief Financial Officer of GE Healthcare – Global Diagnostic Imaging.

Current appointments include: Iain is Chairman of the audit and risk committee of the British Heart Foundation.

Heidi Miller, 62

Independent non-executive Director

Appointed to the Board: September 2014



Member of the Group Risk Committee.

Skills and experience: Heidi has extensive international banking and finance experience. She is a former President of International at JPMorgan Chase, and was responsible for leading the global expansion and the international business strategy across the investment bank, asset management, and treasury and securities services divisions. Former appointments include serving as non-executive director of Merck & Co. Inc. and Progressive Corp.; Executive Vice President and Chief Financial Officer of Bank One Corporation; Senior Executive Vice President of Priceline.com Inc.; and Executive Vice President and Chief Financial Officer of Citigroup Inc.

Current appointments include: Heidi was appointed chair of HSBC North American Holdings Inc. on 1 January 2016. She is a non-executive director of First Data Corporation, General Mills Inc. and advisory director of SRS Acquiom LLC.

Marc Moses, 58
Group Chief Risk Officer
Appointed to the Board: January 2014



Skills and experience: Marc joined HSBC in 2005 as Chief Financial and Risk Officer, Global Banking and Markets and in December 2010 became Group Chief Risk Officer. He has extensive risk management and financial experience. Marc is a Fellow of the Institute of Chartered Accountants in England and Wales. He was a European chief financial officer at JP Morgan and an audit partner at PricewaterhouseCoopers.

Sir Simon Robertson, 74
Deputy Chairman
*Appointed to the Board: January 2006.
 Deputy Chairman since December 2010. He will retire from the Board at the conclusion of the HSBC Holdings AGM on 22 April 2016.*



Member of the Group Remuneration Committee.

Skills and experience: Simon has a background in international corporate advisory work with a wealth of experience in mergers and acquisitions, merchant banking, investment banking and financial markets. Other former appointments include serving as non-executive chair of Rolls-Royce Holdings plc, non-executive director of the Royal Opera House Covent Garden Limited and NewShore Partners Limited and trustee of the Eden Project Trust.

Current appointments include: Simon is the founding member of Simon Robertson Associates LLP. He is a non-executive director of Berry Bros. & Rudd Limited, The Economist Newspaper Limited, Troy Asset Management and is a director of Immodulon Therapeutics Limited.

Jonathan Symonds, CBE, 56
Independent non-executive Director
Appointed to the Board: April 2014



Chairman of the Group Audit Committee and a member of the Conduct & Values Committee.

Skills and experience: Jonathan has extensive international financial experience, having worked in the UK, US and Switzerland. He served as Chief Financial Officer of Novartis AG and AstraZeneca plc. Jonathan is a Fellow of the Institute of Chartered Accountants in England and Wales. Other former appointments include serving as partner and Managing Director of Goldman Sachs, and a partner of KPMG. He was a non-executive director and chair of the Audit Committee of Diageo plc.

Current appointments include: Jonathan is Chairman of HSBC Bank plc, Innocoll AG and Proteus Digital Health Inc. and is a non-executive director of Genomics England Limited.

Pauline van der Meer
Mohr, 56
Independent non-executive Director
Appointed to the Board: September 2015



With effect from 1 January 2016: Member of the Group Remuneration Committee and the Conduct & Values Committee.

Skills and experience: Pauline has extensive legal and human resources experience across a number of different sectors, and contributed to the Dutch Banking Code Monitoring Commission. Other former appointments include serving as President of Erasmus University Rotterdam, Senior Executive Vice President and Head of Group Human Resources at ABN AMRO Bank NV, Group Human Resources Director at TNT NV, HR Director, Information Technology, Royal Dutch Shell Group and Senior Legal Counsel, Shell International.

Current appointments include: Pauline is Chairman of the supervisory board of EY Netherlands. She is also a member of the supervisory boards of ASML Holding NV and Royal DSM NV.

Paul Walsh, 60
Independent non-executive Director
Appointed to the Board: 1 January 2016



Member of the Group Remuneration Committee.

Skills and experience: Paul has extensive international business experience gained as Group Chief Executive of Diageo plc for 12 years, having originally joined the Board of its predecessor, Grand Metropolitan plc, in 1995. He was also a non-executive director of Unilever PLC, United Spirits Limited and Centrica plc. Paul is a Fellow of the Chartered Institute of Management Accountants.

Current appointments include: Paul is Chairman of Compass Group PLC, Avanti Communications Group Plc and Chime Communications Limited and a non-executive director of FedEx Corporation, RM2 International S.A. and Simpsons Malt Limited.

Former Director

Safra Catz, 54

Independent non-executive Director

Appointed to the Board: May 2008

Resigned from the Board: 31 December 2015



Skills and experience: Safra has a background in international business leadership, having helped transform Oracle into the largest producer of business management software and the world's leading supplier of software for information management.

Current appointments include: Safra is joint Chief Executive Officer of Oracle Corporation.

Secretary

Ben Mathews, 49

Group Company Secretary



Ben joined HSBC in June 2013 and became Group Company Secretary in July 2013. He is a Fellow of the Institute of Chartered Secretaries and Administrators. Former appointments include: Group Company Secretary of Rio Tinto plc and of BG Group plc.

Group Managing Directors

Mohammad Al Tuwaijri, 49

Deputy Chairman and Chief Executive, HSBC Bank Middle East Limited

Mohammad joined HSBC in 2010 and became a Group Managing Director on 1 February 2016. Former appointments include: Group Head of Treasury and Head of Risk Management at HSBC associate The Saudi British Bank and Country Head of Saudi Arabia at JP Morgan Chase.

Samir Assaf, 55

Chief Executive, Global Banking and Markets

Samir joined HSBC in 1994 and became a Group Managing Director in 2011. He is Chairman and non-executive director of HSBC France, a director of HSBC Trinkaus & Burkhardt AG and of HSBC Bank plc. He is Chairman of the Global Financial Markets Association (GFMA). Former appointments include: director of HSBC Global Asset Management Limited and of HSBC Bank Egypt S.A.E.; Head of Global Markets and Head of Global Markets for Europe, Middle East and Africa.

Peter Boyles, 60

Chief Executive of Global Private Banking

Peter joined HSBC in 1975 and became a Group Managing Director in 2013. He is Chairman of HSBC Private Bank (Monaco) SA and was appointed a director of HSBC Global Asset Management Limited on 26 March 2015. Former appointments include: Chief Executive of HSBC France and Continental Europe and a director of HSBC Bank plc; HSBC Bank Malta p.l.c.; and of HSBC Trinkaus & Burkhardt AG.

Patrick Burke, 54

President and Chief Executive of HSBC US

Patrick joined HSBC in 1989 and became a Group Managing Director on 1 August 2015. He is Chairman of HSBC Bank USA, N.A., HSBC Finance Corporation, HSBC USA Inc. and HSBC Global Asset Management (USA) Inc.

John Flint, 47**Chief Executive, Retail Banking and Wealth Management**

John joined HSBC in 1989 and became a Group Managing Director in 2013. He is a director of HSBC Private Banking Holdings (Suisse) SA. Former appointments include: a Director of HSBC Bank Canada; Chief of Staff to the Group Chief Executive and Group Head of Strategy and Planning; Chief Executive Officer HSBC Global Asset Management; Group Treasurer; and Deputy Head of Global Markets.

Pierre Goad, 54**Group Head of Human Resources**

Pierre first joined HSBC in 2001 and became a Group Managing Director on 1 August 2015. He is a director of HSBC Bank Canada. Former appointments include: Global Head of Communications; Head of Communications at Zurich Insurance Group; and Head of Corporate Development, Europe, Middle East and Global Businesses.

Pam Kaur, 52**Group Head of Internal Audit**

Pam joined HSBC and became a Group Managing Director in 2013. She is a co-opted member of The Institute of Chartered Accountants in England & Wales. Former appointments include: Global Head of Group Audit for Deutsche Bank AG; Chief Financial Officer and Chief Operating Officer, Restructuring and Risk Division, Royal Bank of Scotland Group plc; Group Head of Compliance and Anti-Money Laundering, Lloyds TSB; and Global Director of Compliance, Global Consumer Group, Citigroup.

Stuart Levey, 52**Chief Legal Officer**

Stuart joined HSBC and became a Group Managing Director in 2012. Former appointments include: Under Secretary for Terrorism and Financial Intelligence in the US Department of the Treasury; Senior Fellow for National Security and Financial Integrity at the Council on Foreign Relations; Principal Associate Deputy Attorney General at the US Department of Justice; and Partner at Miller, Cassidy, Larroca & Lewin LLP and Baker Botts LLP.

Andy Maguire, 49**Group Chief Operating Officer**

Andy joined HSBC in November 2014 as Group Chief Operating Officer and became a Group Managing Director on 1 August 2015. Former appointments include Managing Partner (UK and Ireland) of the Boston Consulting Group.

Paulo Maia, 57**Chief Executive, Latin America**

Paulo joined HSBC in 1993 and became a Group Managing Director on 1 February 2016. Former appointments include: Chief Executive of HSBC Bank Canada and HSBC Bank Australia.

Antonio Simoes, 40**Chief Executive, HSBC Bank plc**

Antonio joined HSBC in 2007 and became a Group Managing Director on 1 February 2016. He is a director of HSBC France. Former appointments include: Head of RBWM, Europe; Chairman of HSBC Global Asset Management (UK) Limited; and Group Head of Strategy & Planning.

Peter Wong, 64**Deputy Chairman and Chief Executive, The Hongkong and Shanghai Banking Corporation Limited**

Peter joined HSBC in 2005 and became a Group Managing Director in 2010. He is Chairman of HSBC Bank (China) Company Limited and HSBC Bank Malaysia Berhad, and a non-executive director of Hang Seng Bank Limited and Bank of Communications Co., Ltd. He is also an independent non-executive director of Cathay Pacific Airways Limited. Former appointments include: Vice Chairman of HSBC Bank (Vietnam) Ltd; director of HSBC Bank Australia Limited; and director of Ping An Insurance (Group) Company of China, Ltd.

Corporate governance codes

HSBC is committed to high standards of corporate governance.

During 2015, HSBC complied with the applicable code provisions of: (i) the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014; and (ii) the Hong Kong Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The UK Corporate Governance Code is available at www.frc.org.uk and the Hong Kong Corporate Governance Code is available at www.hkex.com.hk.¹

The Board has adopted a dealing code for transactions in HSBC Group securities by Directors (Code for Dealing in HSBC Group Securities). This code of conduct meets the requirements of the FCA Listing Rules and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save that The Stock Exchange of Hong Kong Limited has granted waivers from strict compliance with the Rules which take into account accepted practices in the UK, particularly in respect of employee share plans. Following specific enquiry, each Director has confirmed that he or she has complied with the code of conduct throughout the year. All Directors are routinely reminded of their obligations under the Code for Dealing in HSBC Group securities.

¹ The Group Risk Committee is responsible for the oversight of internal control (other than internal control over financial reporting) and risk management systems (Hong Kong Corporate Governance Code provision C.3.3 paragraphs (f), (g) and (h)). If there were no Group Risk Committee, these matters would be the responsibility of the Group Audit Committee.

Board of Directors

The Board of Directors of HSBC Holdings (the 'Board') aims to promote the long-term success of the Company and deliver sustainable value to its shareholders.

Led by the Group Chairman, the Board sets the strategy and risk appetite for the Group and approves capital and operating plans presented by management for the achievement of the strategic objectives. Implementation of the strategy is delegated to the Group Chief Executive.

Directors

The names and brief biographical details of the Directors are included on pages 249 to 254.

Executive Directors

The Group Chairman, Group Chief Executive, Group Finance Director and Group Chief Risk Officer are HSBC employees.

Non-executive Directors

Non-executive Directors are not HSBC employees and do not participate in the daily management of HSBC; they bring an independent perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the Group's risk profile and the reporting of performance. The non-executive Directors bring a wide variety of experience from the public and private sectors, including the leadership of large complex multinational enterprises.

Non-executive Directors' terms of appointment

The Board has determined the minimum time commitment expected of non-executive Directors to be about 30 days per annum. Time devoted to the Company could be considerably more, particularly if serving on Board committees.

Non-executive Directors are appointed for an initial three-year term and, subject to re-election by shareholders at annual general meetings, are typically expected to serve two three-year terms. The Board may invite a director to serve additional periods. All Directors are subject to annual election by shareholders.

Letters setting out the terms of appointment of each of the non-executive Directors are available for inspection at the Company's registered office in London.

Group Chairman and Group Chief Executive

The roles of Group Chairman and Group Chief Executive are separate, with a clear division of responsibilities between the running of the Board and the executive responsibility for running HSBC's business. Descriptions of the roles and responsibilities of the Group Chairman and the Group Chief Executive are available at www.hsbc.com/about-hsbc/corporate-governance/board-committees. Their key responsibilities are set out below.

Key responsibilities

Group Chairman – Douglas Flint

- Leads the Board and ensures its effectiveness
- Develops relationships with governments, regulators and investors
- Leads the Group's interactions on matters of public policy and regulatory reform with regard to the banking and financial services industry
- Maintains corporate reputation and character
- Undertakes performance management of the Group Chief Executive

Group Chief Executive – Stuart Gulliver

- Develops, and delivers performance against, business plans
- Develops Group strategy, in agreement with the Group Chairman, for recommendation to the Board
- Drives performance within strategic goals and commercial objectives agreed by the Board with support from the Group Management Board

Senior independent non-executive Director and Deputy Chairman

Descriptions of the roles and responsibilities of the senior independent non-executive Director and Deputy Chairman are available at www.hsbc.com/about-hsbc/corporate-governance/board-committees. Their key responsibilities are set out below.

Key responsibilities

Senior Independent non-executive Director – Rachel Lomax

- Acts as an intermediary for other non-executive Directors when necessary.
- Leads the non-executive Directors in the oversight of the Group Chairman.

Deputy Chairman – Sir Simon Robertson

- Deputises for the Group Chairman at meetings of the Board or shareholders and supports the Group Chairman in his role.

Appointment, retirement and re-election of Directors

The Board may at any time appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board. The total number of Directors shall not be less than five nor should it exceed 25. Newly-appointed Directors retire at the Annual General Meeting ('AGM') following appointment and shall be eligible for election. The Board may appoint any Director to hold any employment or executive office and may revoke or terminate any such appointment. Shareholders may, by ordinary resolution, appoint a person as a Director or remove any Director before the expiration of his or her period of office. Under the UK Corporate Governance Code all of the Directors are subject to annual re-election by shareholders.

During the year Irene Lee and Pauline van der Meer Mohr were appointed to the Board. Additionally, Paul Walsh and Henri de Castries have been appointed to the Board with effect from 1 January 2016 and 1 March 2016 respectively. Further details on Paul Walsh and Henri de Castries skills and experience can be found in the biographies on pages 250 and 253.

Powers of the Board

The Board is responsible for overseeing the management of HSBC globally and, in so doing, may exercise its powers, subject to any relevant laws and regulations and to the Articles. The Board has adopted terms of reference which are available at www.hsbc.com/about-hsbc/leadership. The Board reviews its terms of reference annually.

In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property or assets (present or future) of HSBC Holdings and exercise any of the powers conferred on it by the Companies Act 2006 and/or by shareholders. The Board is able to delegate and confer on any executive Director any of its powers, authorities and discretions for such time and on such terms as it thinks fit. In addition, the Board may establish any local or divisional boards or agencies for managing the business of HSBC Holdings in any specified locality and delegate and confer on any local or divisional board, manager or agent so appointed any of its powers, authorities and discretions for such time and on such terms as it thinks fit. The Board may also appoint any person or persons to be an agent of HSBC Holdings and may delegate to any such person or persons any of its powers, authorities and discretions on such terms as it thinks fit.

The Board delegates the day-to-day management of HSBC Holdings to the Chief Executive Officer but reserves to itself approval of certain matters including operating plans, risk appetite and performance targets, procedures for monitoring and controlling operations, credit, market risk limits, acquisitions, disposals, investments, capital expenditure or realisation or creation of a new venture, specified senior appointments and any substantial change in balance sheet management policy.

Board meetings

Seven Board meetings and four strategy meetings were held in 2015. At least one Board meeting each year is held in a key strategic location outside the UK. During 2015, Board meetings were held in Hong Kong and mainland China.

The table below shows each Director's attendance at meetings of all Board and Committee meetings during 2015.

During 2015, the non-executive Directors and the senior independent Director met regularly without the executive Directors, including to appraise the Group Chairman's performance.

Report of the Directors: Corporate Governance (continued)

Board of Directors

2015 Board and committee attendance

	AGM	Board	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Nomination Committee	Financial System Vulnerabilities Committee	Conduct & Values Committee	Philanthropic & Community Investment Oversight Committee
Number of meetings held	1	7	7	10	10	5	7	5	3
Group Chairman									
Douglas Flint	1	7	–	–	–	–	–	–	–
Executive Directors									
Stuart Gulliver	1	7	–	–	–	–	–	–	–
Iain Mackay	1	7	–	–	–	–	–	–	–
Marc Moses	1	7	–	–	–	–	–	–	–
Non-executive Directors									
Phillip Ameen	1	7	7	–	–	–	–	–	–
Kathleen Casey	1	7	7	–	–	–	7	–	–
Safra Catz ¹	1	7	–	–	–	–	–	–	–
Laura Cha	1	7	–	–	–	4/5	–	4/5	3
Lord Evans of Weardale	1	7	–	–	–	–	7	5	3
Joachim Faber	1	7	–	10	–	–	–	–	–
Rona Fairhead	1	7	–	–	–	4/5	7	–	–
Sam Laidlaw	1	7	–	–	10	5	–	–	–
Irene Lee ²	–	3/3	–	–	–	–	–	–	–
John Lipsky	1	7	–	10	10	5	–	–	–
Rachel Lomax ³	1	7	7	10	–	2/2	–	5	–
Heidi Miller	1	7	–	10	–	–	–	3/5	–
Sir Simon Robertson ⁵	1	7	–	–	10	3/3	2/2	–	–
Jonathan Symonds	1	7	7	–	–	–	–	5	–
Pauline van der Meer Mohr ⁴	–	2/2	–	–	–	–	–	–	–

1 Resigned from the Board 31 December 2015.

2 Appointed to the Board 1 July 2015.

3 Appointed to the Nomination Committee 24 April 2015.

4 Appointed to the Board 1 September 2015.

5 Resigned from the Financial System Vulnerabilities Committee and the Nomination Committee 24 April 2015.

Board balance and independence of Directors

The Board comprises a majority of independent non-executive Directors. At the conclusion of the 2016 AGM, the Board is expected to comprise 18 Directors (the Group Chairman, the executive Directors and 14 independent non-executive Directors). The size of the Board is considered to be appropriate given the complexity and geographical spread of the business and the significant time demands placed on the Directors arising from the various Board committees that exist to underpin the Group's corporate governance framework.

The Nomination Committee regularly reviews the structure, size and composition of the Board (including skills, knowledge, experience, independence and diversity) and makes recommendations to the Board with regard to any changes.

The Board has adopted a policy on Board diversity which is consistent with the Group's strategic focus on ethnicity, age and gender diversity for the employee base. Further information on the Board diversity policy can be found on page 271.

The Board considers all of the non-executive Directors to be independent. When determining independence the Board considers that calculation of the length of service of a non-executive Director begins on the date of his or her election by shareholders following appointment as a Director of HSBC Holdings. Sam Laidlaw, has served on the Board for more than seven years and Rona Fairhead and Sir Simon Robertson have served on the Board for more than nine years and, in that respect only, do not meet the usual criteria for independence set out in the UK Corporate Governance Code and the Hong Kong Corporate Governance Code. The Board has determined Sam Laidlaw, Rona Fairhead and Simon Robertson to be independent in character and judgement, notwithstanding their length of service, taking into account their continuing level of constructive challenge of management and strong contribution to Board discussions. Rona Fairhead and Sir Simon Robertson will retire from the Board at the 2016 Annual General Meeting.

The Board has concluded that there are no relationships or circumstances which are likely to affect a non-executive Director's judgement and any relationships or circumstances which could appear to do so are not considered to be material.

In accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, each non-executive Director determined by the Board to be independent has provided an annual confirmation of his or her independence.

Information and support

The Board regularly reviews reports on performance against financial and other strategic objectives, business developments and investor and external relations. The chairmen of Board committees report to each meeting of the Board on the activities of the committees since the previous Board meeting. The Board receives regular reports and presentations on strategy and developments in the global businesses and principal geographical areas. Regular reports are also provided on the Group's risk appetite, top and emerging risks, risk management, credit exposures and the Group's loan portfolio, asset and liability management, liquidity, litigation, financial and regulatory compliance and reputational issues.

The Directors have free and open contact with management at all levels. When attending Board offsite meetings and when travelling for other reasons, non-executive Directors are encouraged to take opportunities to visit local business operations at first hand and to meet local management.

Role of the Group Company Secretary

All Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that Board procedures and all applicable rules and regulations are complied with.

Under the direction of the Group Chairman, the Group Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive Directors, as well as facilitating induction and assisting with professional development as required.

The Group Company Secretary is responsible for advising the Board on corporate governance matters.

The agenda and supporting papers are distributed in advance of all Board and Board committee meetings to allow time for appropriate review and to facilitate full discussion at the meetings. All Directors have full and timely access to all relevant information and may take independent professional advice if necessary at HSBC Holdings' expense.

Induction

Formal, tailored induction programmes are arranged for newly appointed Directors. The programmes are based on an individual Director's needs and vary according to the skills and experience of each Director. Typical induction programmes consist of a series of meetings with other Directors and senior executives to enable new Directors to familiarise themselves with the business. Directors also receive comprehensive guidance from the Group Company Secretary on Directors' duties and liabilities.

Training and development

Training and development is provided for Directors. Executive Directors develop and refresh their skills and knowledge through day-to-day interactions and briefings with senior management of the Group's businesses and functions. Non-executive Directors have access to internal training and development resources and personalised training is provided, where necessary. The Chairman, with support from the Group Company Secretary, regularly reviews the training and development of each Director.

During the year, Directors received training on the following topics:

- The Volcker Rule covering the investment activities of certain US banks;
- UK Financial Services (Banking Reform) Act 2014 including the Senior Managers' Regime; and
- the changing financial and regulatory reporting landscape.

The table below shows a summary of training and development undertaken by each Director during 2015.

Report of the Directors: Corporate Governance (continued)

Board of Directors

Training and development

Executive Directors

Douglas Flint
Stuart Gulliver
Iain Mackay
Marc Moses

Non-executive Directors

Phillip Ameen
Kathleen Casey
Safra Catz
Laura Cha
Lord Evans of Weardale
Joachim Faber
Rona Fairhead
Sam Laidlaw
Irene Lee
John Lipsky
Rachel Lomax
Heidi Miller
Sir Simon Robertson
Jonathan Symonds
Pauline van der Meer Mohr

Training areas			
Regulatory updates	Corporate Governance	Financial industry developments	Briefings on Board committee related topics
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓
✓	✓	✓	✓

Board performance evaluation

The Board is committed to regular evaluation of its own effectiveness and that of its committees. In 2014, the review of the effectiveness of the Board and its committees was undertaken by Bvalco Ltd¹, an independent third-party firm.

The findings of the 2014 review were presented to the Board, an action plan developed and progress against these actions reported to the Board during 2015. The themes emerging from the 2014 review and the actions taken included:

2014 Review of Board effectiveness

Theme	Action taken
Harmonising interactions between Group and subsidiaries	The governance arrangements for the regional risk committees and the audit committees for principal subsidiaries and certain global businesses have been enhanced to provide better transparency in the reporting of significant issues to the GAC and GRC and to provide better communication between the committees.
Increasing diversity on the Board of Directors, consider recruitment of a director with an Asian/Chinese business background	Irene Lee was appointed to the Board in July 2015.
Continuing efforts to balance the agenda at Board meetings, focusing on priority strategic issues and in particular technology	Additional time has continued to be provided for the debate of these issues at meetings. The Group Chief Operating Officer delivered updates on the Group's global change programme priorities, and the Chief Technology Officer also presented a new technology strategy in 2015.
Allocating time in Board meetings to address the transition processes relating to the Senior Managers' Regime	Preparations for the Senior Managers' Regime have become a regular Board agenda item.
Senior Independent Director to build on relationships with regulators and with all members of the Board	Meetings held with regulators, Board members and shareholders during the period.

¹ A legal firm which is engaged from time to time by the Company to provide legal services holds a 20% shareholding in Bvalco Ltd. Bvalco Ltd has confirmed that it does not have any other connection with the Company.

Director performance evaluation

Evaluation of the individual performance of each non-executive Director is undertaken annually by the Group Chairman. During this evaluation, the Group Chairman discusses the individual contribution of the Director, explores training and development needs, seeks input on areas where the Director feels he or she could make a greater contribution and discusses whether the time commitment required of the Director can continue to be delivered. Based upon their individual evaluation, the Group Chairman has confirmed that all of the non-executive Directors continue to perform effectively, contribute positively to the governance of HSBC and demonstrate full commitment to their roles.

Evaluation of the individual performance of each executive Director is undertaken as part of the performance management process for all employees, the results of which are considered by the Group Remuneration Committee when determining variable pay awards each year.

The non-executive Directors, led by the senior independent non-executive Director, were responsible for the evaluation of the performance of the Group Chairman.

The Board monitors the implementation of actions arising from each performance evaluation.

It is the intention of the Board to continue to undertake an evaluation of its performance and that of its committees and individual Directors annually, with independent external input to the process, as appropriate, at least every third year. The 2015 performance evaluation review process is being undertaken currently by the JCA Group, an independent third-party firm.

Relations with shareholders

All Directors are encouraged to develop an understanding of the views of major shareholders. Non-executive Directors are invited to attend analyst presentations and other meetings with institutional investors and their representative bodies. During the year, a corporate governance seminar, hosted by the Group Chairman and the principal committee chairs, was held in London to which a number of institutional shareholders and their representative bodies were invited.

All executive Directors and certain other senior executives hold regular meetings with institutional investors. The Board receives a regular investor relations activity report which provides feedback from meetings with institutional shareholders and brokers, analysts' forecasts, information from research reports and share price performance data. The Board also receives regular reports from its corporate brokers.

The Group's shareholder communication policy is available on www.hsbc.com/about-hsbc/corporate-governance/corporate-governance-codes.

On several occasions during 2015, non-executive Directors, including the senior independent non-executive Director, chair of the Nomination Committee and chair of the Remuneration Committee, met or corresponded with institutional investors and their representatives to discuss corporate governance topics and executive remuneration.

As senior independent non-executive Director, Rachel Lomax is available to shareholders should they have concerns which cannot be resolved or for which such contact would be inappropriate through the normal channels of Group Chairman, Group Chief Executive, Group Finance Director, Group Chief Risk Officer, or other executives. Ms Lomax may be contacted through the Group Company Secretary at 8 Canada Square, London E14 5HQ.

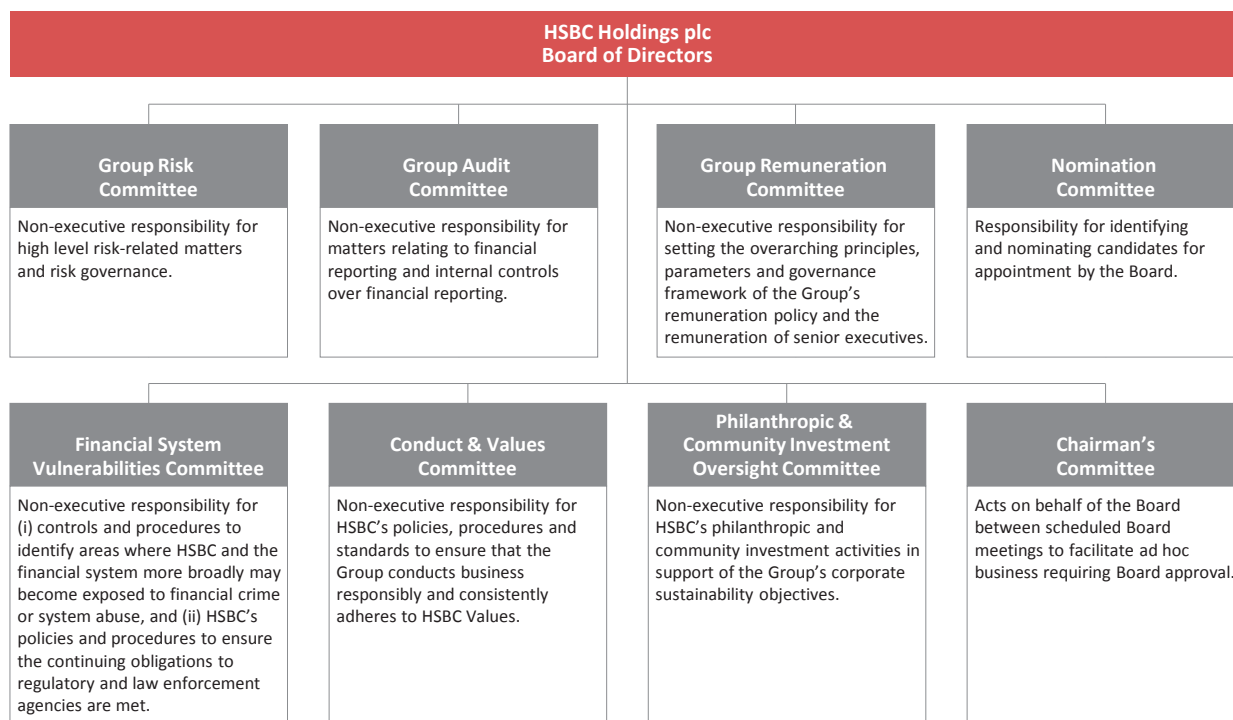
Conflicts of interest, indemnification of Directors and contracts of significance

The Board has adopted a policy and procedures relating to Directors' conflicts of interest and can determine the terms of authorisation for such situations. Should they arise, the Board's powers to authorise conflicts are operating effectively and the procedures are being followed. A review of situational conflicts which have been authorised from time-to-time and the terms of those authorisations are undertaken by the Board annually.

The Articles of Association provide that Directors are entitled to be indemnified out of the assets of HSBC Holdings against claims from third parties in respect of certain liabilities. All Directors have the benefit of directors' and officers' liability insurance.

None of the Directors had, during the year or at the end of the year, a material interest, directly or indirectly, in any contract of significance with any HSBC company.

Board committees



The Board has established a number of committees consisting of Directors, Group Managing Directors and, in the case of the Financial System Vulnerabilities Committee and the Philanthropic & Community Investment Oversight Committee, co-opted non-director members. The key roles of the Board committees are described above. The Chairman of each non-executive Board committee gives an oral report at each meeting of the Board on the activities of the committee since the previous Board meeting.

The Group Management Board ('GMB'), chaired by the Group CEO, is a management forum providing recommendations and advice requested by the Group CEO, to assist him in his management of the day-to-day operations of HSBC Holdings plc and its subsidiaries pursuant to the authority delegated to him by the Board of Directors.

The Group Chief Risk Officer, operating under the delegated authority of the Group CEO, chairs regular Risk Management Meetings of the GMB ('RMM'). The RMMs provide strategic direction and oversight of enterprise-wide management of all risks and establish, maintain and periodically review the policy and guidelines for the management of risk within the Group.

Group Audit Committee

I am pleased to present the 2015 report of the Group Audit Committee ('GAC').

The GAC has been very active during 2015, successfully completing the transition of the external auditor to PwC, who formally took office during the year. The GAC has instituted a process across the Group Committees to ensure clarity of accountability and an enhanced reporting protocol with the audit committees of the Group's major operating subsidiaries. This ensures clear lines of accountability at a Group, regional, country and business line level. In addition to financial reporting the GAC has taken accountability for recovery and resolution planning.

During the year the GAC has closely monitored the transition to the Committee of Sponsoring Organisations of the Treadway Commission 2013 ('COSO') internal control framework as detailed in this report. The completion of this transition, which has occupied a considerable amount of time, and the remediation of entity level controls has supported the Board's ability to assess the effectiveness of the system of internal controls over financial reporting as detailed more fully on page 277. The GAC also considered the enhanced governance requirements associated with a new regulatory requirement for a viability statement, as now set out on page 277 of this Report.

In 2016, the GAC's work will include overseeing improvements to the internal control framework and environment over financial reporting, the controls around the Group's resolution and recovery plans, as well as the ring fencing of the retail banking operations in the UK. We will continue working closely with the Group Risk Committee including where necessary, joint meetings, to ensure continued alignment of our respective accountabilities.

I should like to thank members of the Committee, Internal Audit and PwC, as well as management, for their assistance and expertise during the year.

Jonathan Symonds *Chairman*
Group Audit Committee
 22 February 2016

Members

Jonathan Symonds (Chairman)
Phillip Ameen
Kathleen Casey
Rachel Lomax

Based upon a review that has been undertaken, the Board has confirmed that it is satisfied that each member of the GAC is independent according to SEC criteria, may be regarded as audit committee financial experts for the purposes of section 407 of the Sarbanes-Oxley Act and has recent and relevant financial experience for the purposes of the UK and Hong Kong Corporate Governance Codes.

The Committee has complied with the relevant parts of the Competition and Markets Authority Final Order on the statutory audit market for the year ended 31 December 2015.

Role and responsibilities

The role and responsibilities of the GAC are set out in its terms of reference which can be found on our website at www.hsbc.com/about-hsbc/corporate-governance/board-committees.

The key areas of responsibility for the GAC include:

- monitoring the integrity of financial statements;
- overseeing the internal controls systems relating to financial reporting;
- monitoring and reviewing the effectiveness of the Global Internal Audit function;
- reviewing the Company's financial and accounting policies and practices;
- oversight and remuneration of the external auditor and making recommendations to the Board on the appointment of the external auditor; and
- reviewing with management steps for recovery and resolution planning.

Governance

During 2015, the GAC held seven meetings, including a joint meeting with GRC. Attendance of the current GAC members is set out in the table on page 258. The Group Finance Director, Group Chief Accounting Officer, Group Head of Internal Audit and other members of senior management attended meetings of the GAC, by invitation, to contribute to the discussions relating to their respective areas of expertise. The external auditor, PwC, also attended all meetings and in camera sessions with internal and external audit were held at every meeting. The Chairman of the GAC had regular meetings with a number of the attendees separately to discuss agenda planning and specific issues as they arose during the year. The GAC Chairman reported matters of significance to the Board after each meeting and the minutes of the GAC meetings were made available to all Board members.

During 2015, an accounting and control maturity map was developed as a means of focusing accountabilities across the various Board Committees and to allow the escalation of issues relating to financial reporting or internal controls.

The GAC worked closely with the Group Risk Committee ('GRC') and met jointly during 2015 to define and draw out areas of commonality between the GAC and the GRC and thereby avoid duplication between the two committees. From this work, it was concluded that the GAC would have accountability for recovery and resolution planning. The GRC has accountability for data integrity and quality, stress testing and the operational risk framework, which is a critical part of the internal control framework.

The annual forum for the chairs of the major subsidiary audit and risk committees was held in June 2015 which resulted in an enhanced reporting protocol, providing clearer understanding of the roles and lines of accountability at Group, regional, country and business line levels. The operation of this enhanced engagement protocol will be closely monitored during 2016 and reviewed at the next annual forum.

How the Committee discharged its responsibilities

Financial reporting

The table on page 265 shows the key areas considered during the year and the action taken.

The GAC reviewed HSBC's financial and accounting judgements and their application to the quarterly and annual reporting of the Group's activities and financial performance. In addition, the GAC reviewed the external analysts' presentations and the key financial metrics included in the 10 strategic actions, particularly the planning of risk-weighted assets.

The legal and regulatory environment was monitored and consideration given to changes in law, regulation, accounting policies and practices including developments in programmes to implement IFRS 9 Financial Instruments and Basel III/CRD IV.

Internal control and risk management

Pursuant to the requirement of section 404 of the Sarbanes-Oxley Act, the Group undertook an annual assessment of the effectiveness of internal control over financial reporting.

The GAC reviewed the Group's system of internal control over financial reporting and the developments affecting it over the course of 2015. The GAC considered the process used to evaluate the effectiveness of the system, overseeing the transition by management to the COSO framework. The transition included a comprehensive programme of upgrades across all entity level controls. This work focused on those entity level controls that did not meet the required standards and the GAC received progress updates from management at each meeting. In addition, particular emphasis was given to the remediation of controls over access management in IT and the financial controls necessary to mitigate the impact on financial reporting. Applying this new framework, the GAC assessed the effectiveness of the internal control system over financial reporting as part of the Board's overall assessment of internal controls. The Board's assessment can be found on page 275 under the heading 'Internal Control'.

Internal Audit

The GAC approved Internal Audit's annual plan, resource and budget, and considered the performance of the Group Head of Internal Audit. As this role reports to the Chairman of GAC, frequent meetings were held during the year. The GAC regularly met with the Group Head of Internal Audit without the presence of management.

The GAC annually assesses the performance and effectiveness of the Global Internal Audit function. The GAC's effectiveness review encompassed the scope of the function's work and the adequacy of the skills of its team. The GAC considered that the Global Internal Audit function remained effective. The Global Internal Audit Charter is available on the HSBC website at www.hsbc.com/investor-relations/governance/internal-control.

During the year, work was undertaken to streamline Global Internal Audit reporting across committees and to ensure key thematic issues were appropriately highlighted. These items included, for example, entity level controls remediation, financial crime compliance project execution and systems and data security. Enhancement was also made to the management information in relation to audit conclusions and the tracking-to-resolution of outstanding audit recommendations. This enhancement better aligned audit recommendations to the individual accountabilities of senior managers.

Additional resources were granted to internal audit during the year to increase assurance to all the Board committees on the execution of critical projects.

External audit

Following a competitive tender process undertaken in 2013, PricewaterhouseCoopers LLP ('PwC') was formally appointed as the Group's external auditors at the 2015 AGM. The GAC met privately with the external auditor whilst the GAC Chairman maintained regular contact with the audit partner throughout the year.

The GAC reviewed PwC's audit approach and strategy for 2015.

The fees paid to PwC for the year ended 31 December 2015 amounted to \$98.4m of which \$35m was payable in respect of non-audit services. Non-audit services accounted for 35.6% of the total fees payable. All non-audit services provided by PwC during 2015 were pre-approved by the GAC in accordance with the audit independence policy. The policy provides a framework for confirming that services do not create a mutual or conflicting interest and to not place PwC in the position of auditing their own work.

A further breakdown of the fees paid to the auditors for each of the last three financial years can be found in Note 7 on the Financial Statements.

The GAC considered PwC to be independent and PwC, in accordance with professional ethical standards, has provided the GAC with written confirmation of its independence for the duration of the financial year ended 31 December 2015.

The GAC has therefore recommended to the Board that PwC be re-appointed as the auditors. Resolutions concerning the re-appointment of PwC and their audit fee for 2016 will be proposed to shareholders at the 2016 AGM.

Whistleblowing

The GAC and the Conduct & Values Committee are responsible for reviewing the Group's whistleblowing procedures. The GAC received regular updates on concerns raised under these procedures which related to accounting, internal accounting controls or auditing matters, as well as management actions taken in response.

Ongoing development

Throughout the year, the GAC received presentations on a range of topics including IFRSs financial accounting developments, new reporting requirements and briefings on developments in the regulatory environment.

Committee effectiveness

The effectiveness of the GAC was evaluated as part of the overall performance evaluation of the Board.

Governance structure for the oversight of financial reporting

Authority	Membership	Responsibilities include:
Board	Executive and non-executive Directors	<ul style="list-style-type: none"> Financial reporting Appointing senior financial officers
Disclosure Committee	The Group's Finance Director, Chief Risk Officer, Chief Legal Officer, Chief Accounting Officer, Company Secretary, Chief Operating Officer, Head of Investor Relations, Head of Communications and Head of Strategy and Planning	<ul style="list-style-type: none"> Reviewing the Group's material communications with investors Assisting the Group Chief Executive and Group Finance Director to discharge their obligations relating to financial reporting under the Securities Exchange Act of 1934 Monitoring and reviewing the effectiveness of controls and procedures established to ensure that information is disclosed appropriately and on a timely basis Reporting findings and making recommendations to the Group Chief Executive, Group Finance Director and the GAC
Major operating subsidiaries audit committees (or equivalent)	Independent non-executive directors and/or HSBC Group employees with no line of functional responsibility for the activities of relevant subsidiary or global business, as appropriate	<ul style="list-style-type: none"> Providing twice yearly assurance to the GAC on financial statements and internal controls over financial reporting of relevant subsidiaries or businesses, as requested Regular reporting to the GAC in connection with any material issues regarding controls over financial reporting

Principal activities undertaken during 2015 include:

Key area	Action taken
External auditor	Overseeing and assessing the effectiveness of PricewaterhouseCoopers LLP during its first year as the Group's external auditor. In assessing the effectiveness of the external auditor an audit assessment questionnaire is used to obtain feedback on the audit process. In addition, an assessment against best practice is undertaken. The assessment focuses on the overall audit process, its effectiveness and the quality of output.
Implementation of COSO Framework	GAC closely monitored the transition to the COSO Internal control framework. The transition involved a comprehensive programme of upgrading entity level controls.
Controls over IT access management	A significant issue for the GAC in 2015 was the tracking of progress over access rights to operating systems, applications and data used in the financial reporting process. This was an area identified by Internal Audit as requiring improvement and a substantial programme of work has been under way involving HSBC Operations, Services and Technology and Finance functions.
Hedge accounting review	GAC has overseen remediation work to address issues identified in relation to certain hedge accounting activities in a number of countries.

Significant accounting judgements considered during 2015 included:

Key area	Action taken
Appropriateness of provisioning for legal proceedings and regulatory matters	The GAC received reports from management on the recognition and amounts of provisions, the existence of contingent liabilities, and the disclosures relating to provisions and contingent liabilities for legal proceedings and regulatory matters. Specific areas addressed included provisioning arising from investigations by US regulators and law enforcement agencies relating to trading activities in the foreign exchange market and competition law investigations relating to foreign exchange trading activities in a number of jurisdictions. The GAC also considered management's judgements regarding provisions and contingent liabilities in connection with investigations of HSBC's Swiss Private Bank by a number of tax administration, regulatory and law enforcement authorities, and the measurement of the provision in relation to US Securities litigation ('Jaffe').
Quarterly and annual reporting	The GAC reviewed key judgements in relation to the quarterly and annual reporting. In addition, the GAC considered external analysts' presentations and other key financial metrics included in the 10 strategic actions.
Loan impairment, allowances and charges	The GAC reviewed loan impairment allowances for personal and wholesale lending. Significant judgements and estimates for personal lending included a review of loss emergence periods across the retail loan portfolios. For wholesale lending, the effects on potential wholesale loan impairments of lower oil and gas prices, the VW vehicle emissions scandal, and trends in economic factors affecting credit quality in mainland China were considered, along with judgemental allowance adjustments for economic factors and notable individual cases of impairment. In particular, the GAC considered management's judgements and assumptions informing the recognition of a judgemental collective impairment allowance for oil and gas exposures, additional to impairment allowances recognised for individual identified cases, as at 31 December 2015.
Valuation of financial instruments	The GAC reviewed the key valuation metrics and judgements involved in the determination of fair value of financial instruments. The GAC considered the valuation control framework, valuation metrics, significant year-end judgements and emerging valuation topics.
Viability statement	The Directors now have an obligation under the UK Corporate Governance Code to state whether they believe the Group and parent company will be able to continue in operation and meet liabilities as they fall due over the next three years. During the year, the GAC considered the enhanced governance requirements surrounding the publication of the Viability Statement.
UK customer remediation	The GAC considered the provisions for redress for mis-selling of payment protection insurance ('PPI') policies, in the UK, including management's judgements regarding the effect of the proposed time-bar for claims, on which the UK Financial Conduct Authority ('FCA') is to consult. The GAC also considered the implications of the 2014 UK court case ('Plevin') for the non-disclosure of levels of commission in relation to the historical sales of PPI products, and liabilities in respect of breaches of the UK Consumer Credit Act.
Bank of Communications Co., Limited ('BoCom') impairment testing	During the year the GAC considered the regular impairment reviews of HSBC's investment in BoCom and management's conclusions that the investment is not impaired. When testing investments in associates for impairment, IFRS require the carrying amount to be compared with the higher of fair value and value in use. The GAC reviewed a number of aspects of management's work in this area including the sensitivity of the result of the impairment review to estimates and assumptions of projected future cash flows and the discount rate.
Goodwill impairment testing	The GAC noted that no impairment was identified as a result of the annual goodwill impairment test as at 1 July 2015. However, the review for indicators of impairment as at 31 December 2015 identified indicators of impairment which resulted in a formal re-test of GPB Europe and GB&M North America. The results for these CGU's are sensitive to key assumptions and are subject to enhanced disclosure.
Recognition of deferred tax assets	In considering the recoverability of the Group's deferred tax assets, the GAC reviewed the recognition of deferred tax assets in the US and Brazil and the associated projections of future taxable income.

Group Risk Committee

I am pleased to present the 2015 report of the Group Risk Committee ('GRC'). 2015 was a particularly busy year for the GRC. In addition to its regular reviews of the Group's risk map, risk appetite and top and emerging risks, the GRC focused on the management of current and forward-looking risks, programmes to implement comprehensive reforms to the ways financial crime compliance is managed and the execution of Global Standards.

The GRC has closely monitored the strengthening of the risk framework for managing and mitigating operational risk, as this now represents a greater proportion of the Group's capital demands.

The GRC held three additional meetings during the year dedicated to reviewing the results of BoE's stress tests, reviewing the lessons learned from the BoE and internal stress testing exercises and proposals for enhancing the Group's stress testing capability.

During the year, the GRC also reviewed management's assessment of information security, cyber-crime and data management risks and management's mitigating actions.

Like the Group Audit Committee, the GRC has taken steps to enhance its governance arrangements with the regional and business risk committees to ensure closer interaction and dialogue across the Group.

I should like to thank my colleagues on the Committee and senior management for their contribution to the Committee's activities.

Joachim Faber Chairman

Group Risk Committee

22 February 2016

Members

Joachim Faber (Chairman)

John Lipsky

Rachel Lomax

Heidi Miller

Role and responsibilities

The role and responsibilities of the GRC are set out in its terms of reference. Its terms of reference can be found on our website at <http://www.hsbc.com/about-hsbc/corporate-governance/board-committees>.

The key areas of responsibility for the GRC include:

- advising the Board on high-level risk-related matters and risk governance, including current and forward looking risk exposures, future risk strategy and management of risk within the Group;
- advising the Board on risk appetite and risk tolerance;
- reviewing the effectiveness of the Group's risk management systems framework and internal control systems (other than internal financial control systems which is the responsibility of the GAC);
- monitoring executive control and management of risk including top and emerging risks; and
- advising the Group Remuneration Committee on the alignment of remuneration with risk appetite.

Governance

The GRC has overall non-executive responsibility for the oversight of risk across the Group.

All of HSBC's activities involve the measurement, evaluation, acceptance and management of risk or combinations of risks. The Board, advised by the GRC, requires and promotes a strong risk governance culture which shapes the Group's attitude to risk. The Board and the GRC oversee the maintenance and development of a strong risk management framework by continually monitoring the risk environment, top and emerging risks facing the Group and mitigating actions planned and taken.

Oversight of specific areas of risk is undertaken by the Conduct & Values Committee (page 272) to ensure that HSBC conducts business responsibly and consistently adheres to HSBC Values and by the Financial System Vulnerabilities Committee (page 268) for matters relating to anti-money laundering, sanctions, terrorist financing and proliferation financing. Both committees regularly update the GRC on their responsibilities.

The GRC, together with the GAC, has set core terms of reference for subsidiary company non-executive risk and audit committees.

During 2015, the GRC held 10 meetings and attendance of the current GRC members is set out in the table on page 258. The Group Chief Risk Officer, Group Finance Director, Chief Legal Officer, Group Head of Internal Audit, Global Head of Regulatory Compliance, Global Head of Financial Crime Compliance and other members of senior management attended meetings of the GRC by invitation to contribute to discussions relating to their respective areas of expertise. The Chairman of the GRC had meetings with a number of these attendees separately to discuss specific issues.

The GRC has worked closely with the GAC to ensure that any areas of significant overlap are appropriately addressed. The GRC and the GAC met jointly during 2015 to address areas of commonality between the committees and to avoid unnecessary duplication. The committees also discussed the importance of building strong alignment with the major regional and global business risk and audit committees and implemented proposals to improve inter-committee communication.

A forum for the chairs of the major regional and global businesses' audit and risk committees was held in June 2015 which resulted in an enhanced reporting protocol, providing clearer lines of accountability at Group, regional, country and business line levels. The operation of this enhanced protocol will be closely monitored during the year and reviewed at the next annual forum.

The GRC met with the Group Chief Risk Officer and Group Head of Internal Audit without the presence of management. The GRC Chairman reported matters of significance to the Board after each meeting and the minutes of the meetings were made available to all Board members.

How the Committee discharged its responsibilities

The GRC reviewed the Group Risk Appetite Statement, the risk map (which describes the Group's risk profile by risk type across the global businesses) and monitored the top and emerging risks (together with mitigating actions for identified risks) with management at each of its meetings.

Page 102 provides further information on the top and emerging risks, the risk map and the risk appetite for the Group.

The GRC requested reports and updates from management on risk-related issues identified for in-depth consideration and received regular reports on matters discussed at the RMM. In addition, during 2015 the GRC invited senior management from the global businesses to present their respective risk control frameworks. The GRC welcomed, as a result, the enhanced discussions on the risk environment and will continue this cycle of presentations throughout 2016.

A particular focus for the GRC during 2015 was the Group's exposure to execution risk. Regular reports were received from the Group Chief Operating Officer, who attended the GRC meetings, updating the GRC on the status of the Group's highest priority programmes and mitigating measures being put in place to manage the identified risks appropriately.

In addition to addressing the matters noted above, the GRC focused on a number of key areas including those set out in the table below.

Internal control and risk management

The GRC reviewed the Group's risk management framework and system of internal control (other than

internal financial control systems, which covered by the GAC) and the developments affecting them over the course of 2015. In carrying out its review, the GRC received regular business and operational risk assessments, regular reports from the Group Chief Risk Officer and the Group Head of Internal Audit, reports on the annual reviews of the risk control framework of the global businesses which cover all internal controls, half yearly confirmations to the GRC from risk committees of principal subsidiary companies and reports confirming if there have been any material losses, contingencies or uncertainties caused by weaknesses in internal controls. In light of these findings, the GRC assessed the statement of internal controls systems prior to its endorsement by the Board. The Board's assessment as to the effectiveness of the system can be found on page 275 under the heading 'Internal Control'.

Ongoing development

Throughout the year, the GRC received presentations on a range of topics, including Volcker Rule governance and briefings on developments in the regulatory environment.

Committee effectiveness

The effectiveness of the GRC was evaluated as part of the overall performance evaluation of the Board.

Principal activities and significant issues considered include:

Key area	Action taken
The Group Risk Appetite Statement ('RAS') and monitoring of the Group risk profile against the RAS	The GRC reviewed management proposals for revisions to the Group RAS metrics for 2015. Following review, the Committee recommended the Group RAS, which contained a number of refinements including the cost efficiency, common equity tier 1 capital and sovereign exposure ratio, to the Board. The GRC regularly reviews the Group's risk profile against the key performance metrics set out in the RAS. It reviewed management's assessment of risk and provided scrutiny of management's proposed mitigating actions.
BoE stress test	The GRC monitored the BoE stress testing exercise and reviewed the results of stress testing prior to submission to the regulator. It received reports over the course of the BoE stress testing exercise and met three times during the year solely to consider stress testing related matters. Top and emerging risks were reviewed at every GRC meeting and areas identified where management needed to assess vulnerabilities via stress testing. The GRC oversaw a review of the lessons learned from this stress testing exercise and proposals for enhancing the Group's stress testing capability. Internal Audit assessed progress on the regulatory stress tests programmes and reported its conclusions and recommendations to the GRC.
Execution risk	Execution risk is the risk relating to the delivery of the Group strategy and the progress and status of high priority programmes is a standing agenda item for the GRC. Monitoring of this risk and challenging management's assessment of execution risk and corresponding mitigating actions remain a priority for the GRC. In addition to the regular reports received and 'deep-dive reviews' conducted on specific issues identified, the GRC requested reports from Internal Audit on the themes identified during the course of its work.
Legal and regulatory risks	The GRC received regular reports on legal and regulatory risks, reviewed management actions to mitigate these risks and considered the potential impact of future developments in this area on the Group. In 2015, these included reports concerning risks related to investigations of HSBC's Swiss Private Bank by a number of tax administration, regulatory and law enforcement authorities.
IT and data-related risks	During the year, the GRC considered a number of IT and data-related risks including internet crime and fraud, data management and aggregation, and information security. The GRC reviewed management's assessment of these risks and management actions to mitigate them. IT and data-related risks are expected to remain an area of focus for the GRC during the course of 2016.

Geopolitical risk	The GRC received regular reports on geopolitical risks including the crises in the Middle East, slowdown in mainland China and redenomination risk of Greece exiting the eurozone. Management provided regular updates on the implementation of mitigating actions in response to these matters which included the augmentation of anti-money laundering, sanctions and financial crime compliance controls. The GRC also held a joint meeting with the GAC which focused on areas of mutual interests including entity level controls, operational risk and subsidiary governance.
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Further information on the identification, management and mitigation of our material risks types, and on our top and emerging risk is provided on pages 105 and 110, respectively.

Financial System Vulnerabilities Committee

I am pleased to present the 2015 report of the Financial System Vulnerabilities Committee ('FSVC'). The FSVC oversees the implementation by management of policies aimed at mitigating financial crime and system abuse risks which HSBC faces in the execution of its strategy. In doing so, it provides thought leadership, governance, oversight and policy guidance over the framework of controls and procedures which has been designed to address these risks to which HSBC and the financial system more broadly, may be exposed.

In 2015, the FSVC continued to focus on the controls and procedures which underpin Global Standards and mitigate our financial crime risks. The interactions with the Monitor¹ have been a key part of the FSVC's agenda as the Committee continues to oversee the compliance-related initiatives being implemented by the Group to address its obligations under its Deferred Prosecution Agreement ('US DPA'), and the Monitor and his team have attended a number of FSVC meetings during the course of the year. These meetings have also included private meetings with the non-executive members of the FSVC. Other areas of focus have included oversight of HSBC's cyber security framework and monitoring significant developments in the information security environment and the sanctions control framework in the light of heightened geopolitical risk. During 2015, the FSVC has taken a more holistic approach to identifying potential financial crime compliance ('FCC') issues. The heads of business units and country heads have routinely been invited to meetings to provide insights on the implementation of Global Standards and key FCC issues for their areas.

In 2016, the FSVC will continue to focus on Global Standards and Financial Crime Compliance (FCC) through the monitoring and tracking of the FCC plan and engaging with the Monitor to ensure his recommendations are acted on. The Committee will continue its programme of reporting by country heads on FCC. The FSVC will also retain its focus on FCC controls in the Private Bank.

Cyber security will remain a key area of focus for the Committee. During the course of the year we welcomed Nehchal Sandhu as an additional adviser member to the Committee. Nehchal brings extensive experience in leading the national cyber security strategy and architecture in India and advising senior government officials on national security matters. I should like to thank Sir Simon Robertson, who resigned from the Committee at the conclusion of the 2015 Annual General Meeting, and Rona Fairhead, who steps down as a member of the Committee at the conclusion of the 2016 Annual General Meeting, for their contributions to the work of the Committee.

Lord Evans of Weardale *Chairman*
Financial System Vulnerabilities Committee
22 February 2016

¹ See page 116 for further details on the Monitor.

Members

Lord Evans of Weardale (Chairman)
Kathleen Casey
Rona Fairhead
Nick Fishwick, CMG¹
Dave Hartnett, CB¹
William Hughes, CBE QPM¹
Nehchal Sandhu¹
Leonard Schrank¹
The Honourable Juan Zarate¹

¹ Adviser members

Six adviser members have been appointed to the Committee to support its work and between them have extensive experience in geopolitical risk, financial crime risk, international security, cyber security and law enforcement matters.

Role and responsibilities

The role and responsibilities of the FSVC are set out in its terms of reference. The terms of reference can be found on our website at www.hsbc.com/about-hsbc/corporate-governance/board-committees.

The key areas of responsibility for the FSVC include:

- governance, oversight and policy guidance over the framework of controls and procedures designed to identify areas where HSBC and the financial system more broadly may become exposed to financial crime or system abuse;
- oversight of matters relating to anti-money laundering, sanctions, terrorist financing and proliferation financing, including the establishment, implementation, maintenance and review of adequate policies and procedures sufficient to ensure the continuing obligations to regulatory and law enforcement agencies are met and oversight of implementation of the actions necessary to build assurance in these areas;
- provision of advice as applicable on the implementation of the Global Standards programme;
- oversight of matters relating to HSBC's information security environment and cyber security framework; and
- providing a forward-looking perspective to the Board on financial crime risk.

In 2016, the FSVC will assume responsibility for oversight of controls relating to anti-bribery and corruption.

During 2015, the FSVC held seven meetings. Attendance is set out in the table on page 258.

How the FSVC discharged its responsibilities

The FSVC has focused its activity on areas where HSBC and the financial system more broadly may become exposed to financial crime or system abuse, working closely with the GRC which has broader responsibility for risk governance.

The principal activities and significant issues considered by the FSVC are provided in the table below.

Principal activities and significant issues considered include:

Key area	Action taken
Oversight of obligations under the US and UK agreements and updates on HSBC's interactions with the Monitor	The FSVC has monitored developments between HSBC and the US regulators. Interactions with the Monitor have been a key part of the Committee's agenda, including oversight of HSBC's response to the Monitor's work programme and management's action to embed Global Standards. The FSVC received regular reports from the Monitor and his team on reviews undertaken and the results of the Monitor's First Annual Follow-up Review Report, agreeing recommendations and actions in response to this report.
Financial crime compliance and related issues	The FSVC oversaw the anti-money laundering and compliance-related initiatives being implemented by the Group to address obligations under the US DPA and related agreements, including forward-looking risks to HSBC and the financial system more widely, de-risking activities in relation to correspondent banking, and anti-money laundering risks associated with affiliates.
Compliance resourcing	The FSVC reviewed and discussed reports from Compliance in relation to resourcing. A particular area of focus was on recruitment activities, resourcing levels and people development. The ability of the Compliance function to attract and retain talent has and will continue to be a key area of focus for the Committee.
Sanctions	The Group has in place a Global Sanctions Policy. The FSVC receives updates on both sanctions-related matters and compliance with the Group's sanctions programme.
Technology and data systems	The FSVC received reports on implementation of the FCC IT strategy. A progress tracker providing an update on the information security risk framework was routinely monitored by the FSVC throughout the year, with particular focus on cyber security and the Group's information security risk framework.
Reporting	The FSVC provides a quarterly report to the Board on its activities and updates the Group Risk Committee and the Remuneration Committee on specified matters for its consideration as appropriate and reports to the Core and Global College of Regulators on key activities undertaken.
Global Standards	The FSVC received reports from management including heads of business units and from Internal Audit concerning implementation of the Global Standards programme.
Cyber/Information security	The FSVC continued its focus on cyber and information security matters. It received reports from representatives in the first and second lines of defence on developments in HSBC's information security environment and monitored the proactive steps to address emerging risks. The Committee also oversaw the progress of the projects to improve HSBC's cyber security framework and cyber incident response preparedness.
Reports from adviser members	The Committee received updates from the Committee's adviser members on the activities they have each undertaken in their role as advisers to HSBC Holdings plc with specific focus on geopolitical risk, emerging financial crime and information security issues.

Committee effectiveness

The effectiveness of the FSVC was evaluated as part of the overall performance evaluation of the Board.

Group Remuneration Committee

Members¹

Sam Laidlaw (Chairman)
John Lipsky
Pauline van der Meer Mohr (from 1 January 2016)
Sir Simon Robertson¹
Paul Walsh (from 1 January 2016)

¹ Sir Simon Robertson will be retiring from the Board at the April 2016 Annual General Meeting.

Role and responsibilities

The role and responsibilities of the Group Remuneration Committee are set out in its terms of reference. The terms of reference can be found on our website at www.hsbc.com/about-hsbc/corporate-governance/board-committees.

The Committee is responsible for setting the over-arching principles, parameters and governance framework of the Group's remuneration policy and the remuneration of executive Directors and other senior Group employees. The Committee regularly reviews the effectiveness of the remuneration policy of the Company and its subsidiaries in the context of consistent and effective risk management. No Directors are involved in deciding their own remuneration.

Further details on the remuneration arrangements for Directors may be found in the Directors' Remuneration Report on pages 285 to 321.

During 2015, the Group Remuneration Committee held 10 meetings. Attendance is set out in the table on page 258.

Committee effectiveness

The effectiveness of the Group Remuneration Committee was evaluated as part of the overall performance evaluation of the Board. More information can be found under the Performance Evaluation section on page 260.

Nomination Committee

I am pleased to present the 2015 report of the Nomination Committee. During 2015, HSBC appointed two new independent non-executive Directors, Irene Lee and Pauline van der Meer Mohr. The appointments of Paul Walsh and Henri de Castries as two further independent non-executive Directors were announced in 2015. Paul Walsh joined the Board on 1 January 2016 and we look forward to welcoming Henri de Castries on 1 March 2016. As I outline overleaf, these appointments bring substantial additional strength to the Board and have further broadened its existing expertise and experience.

The Committee continually seeks to ensure that the Board's composition is aligned to the Group's strategic priorities. A matrix of Directors' skills and experience, also reflecting the diversity of the Board's composition, including gender, is regularly reviewed by the Committee and is central to the succession planning process for non-executive Director appointments. HSBC has been active in promoting gender diversity, such that women currently make up 33% of the Board although the Committee will continue to focus on initiatives towards achieving a greater gender balance, both at Board level and below.

The Committee has also conducted an annual review of the Group's executive succession plan. This aspect of the Committee's succession planning responsibilities has become an increasingly important area for both management and the Committee, reflecting the people risk to which a group of HSBC's size and scale is exposed.

During the year, membership of the Board's committees has been refreshed to ensure that there are clear linkages between them. The work of each committee is reported to the Board by the respective committee chair and cross-committee membership of non-executive directors helps to ensure a more cohesive governance structure.

During the course of the year we welcomed Rachel Lomax onto the Committee. I should like to thank Sir Simon Robertson, who stepped down as its Chairman at the conclusion of the 2015 AGM for his contribution to the Committee and who, together with Rona Fairhead, leaves the Board at the conclusion of the 2016 AGM. Their wisdom and counsel will be much missed.

Sam Laidlaw *Chairman*
Nomination Committee
22 February 2016

Members

Sam Laidlaw (Chairman)
Laura Cha
Rona Fairhead
John Lipsky
Rachel Lomax

Role and responsibilities

The role and responsibilities of the Nomination Committee are set out in its terms of reference, which can be found on our website at www.hsbc.com/about-hsbc/corporate-governance/board-committees.

The Nomination Committee has non-executive responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. The Committee is responsible for succession planning for both executive and non-executive directors and membership of Board

committees. The Committee regularly reviews the structure, size and composition of the Board including the balance of skills, knowledge, experience and diversity.

Governance

During 2015, the Nomination Committee held five meetings. Attendance is set out in the table on page 258.

The Chairman reports matters of significance to the Board after each meeting.

Committee effectiveness

The effectiveness of the Nomination Committee was evaluated as part of the overall performance evaluation of the Board.

Principal activities and significant issues considered	Action taken
Appointments of new Directors	<p>Following an external and rigorous selection process, the Committee recommended to the Board the appointment of four non-executive Directors during 2015: Irene Lee and Pauline van der Meer Mohr, who joined the Board on 1 July and 1 September, respectively, Paul Walsh, who joined the Board on 1 January 2016, and Henri de Castries, who joins the Board on 1 March 2016.</p> <p>An external search consultancy, MWM Consulting, is used in relation to the appointment of non-executive Directors. MWM Consulting has no additional connection with HSBC other than as search consultant for certain senior executive hires.</p> <p>The Committee recommended Irene Lee for appointment to the Board because of her extensive experience in financial services, and her leadership roles in a number of Asian businesses. Pauline van der Meer Mohr was recommended by the Committee due to her leadership experience in human resources and legal affairs, together with her regulatory experience. Paul Walsh brings to the Board strategic and commercial insight and experience from running multiple global consumer businesses.</p> <p>Henri de Castries brings broad international experience, running one of the world's largest insurance companies and a deep understanding of the financial services industry and regulation.</p>
Forward planning	<p>The Nomination Committee takes into account the needs and development of the Group's businesses and the expected retirement dates of current Directors when considering candidates to join the Board, ensuring that skills, experience and diversity requirements are satisfied as far as possible.</p>
Board and Committee composition	<p>The Nomination Committee routinely monitors the size, structure and composition of the Board including the skills, knowledge, experience, diversity and independence of its non-executive Directors.</p> <p>The Committee recommended to the Board that all Directors should stand for election or re-election at the 2016 AGM, with the exception of Rona Fairhead and Simon Robertson whose retirement was announced during the year. Safra Catz, after eight years of dedicated service as a non-executive Director, elected to retire at the end of 2015. A number of changes were made to the composition of Committees during the year to reflect tenure of service and the appointment of new non-executive Directors to the Board.</p>
Regulatory and policy developments	<p>The Nomination Committee monitors HSBC's policies and regulatory developments in relation to Board composition. Additionally, during 2015 the Committee considered the corporate governance arrangements for the UK Ring-Fenced Bank, reviewed the Board's diversity policy and the outcomes of the Board effectiveness review of its principal subsidiaries.</p>
Diversity	<p>The Nomination Committee believes that one of its important duties is to ensure that there is a proper balance on the Board to reflect diversity and the geographical nature of its business. Appointments to the Board are made on merit and candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board. The Board diversity policy is available at www.hsbc.com/investor-relations/governance/corporate-governance-codes.</p> <p>The Nomination Committee regularly monitors the implementation of the Board's diversity policy using the following measurable objectives: only external search consultants who are signatories to the Executive Search Firms Voluntary Code of Conduct should be engaged by the Nomination Committee; and at least 30% of candidates, proposed by search firms for consideration as non-executive Directors, should be women. We comply with these requirements and, as at the conclusion of the 2016 AGM, 33% of the Board will be female.</p>
Director training and development	<p>The Nomination Committee reviews and monitors the training and continuous professional development of Directors and senior management.</p>
Time commitment and independence of non-executive Directors	<p>The Nomination Committee assessed the independence of, and time required from, non-executive Directors, and is satisfied that all non-executive Directors have the time to fulfil their fiduciary responsibilities to provide oversight of the business of the Group and serve on the relevant committees of the Board. All Directors are asked to identify any other significant commitments they may have and confirm they have sufficient time to discharge what is expected of them as members of the Board.</p>

Conduct & Values Committee

I am pleased to present the 2015 report of the Conduct & Values Committee ('CVC'). The CVC has non-executive responsibility for overseeing the Group's continuing efforts to raise standards in the way it conducts business, consistent with HSBC's values.

In this, the second year of its operation, the Committee has focused particularly on the implementation of the Group's global programme for ensuring that it delivers fair outcomes for customers and upholds market integrity, as the basis for the long-term success of its business.

This has involved a thorough review of Group policies, processes and procedures to assess how far they meet the required standards and, where necessary, to implement remedial action. A key challenge has been to develop measures that will enable management to identify and resolve emerging conduct issues in a timely way. The CVC is monitoring progress in developing useful management information in each of the global businesses and across the different geographies.

The Committee recognises that the success of any programme of cultural change depends critically on how people are recruited, trained, incentivised and led. It is taking a close interest in the many initiatives that are being developed to ensure that the Group sends consistent messages to employees about what is expected of them, equips them to do their jobs in the right way, and rewards and penalises them appropriately.

It is particularly important to foster a culture in which people are empowered to speak up if they become aware of problems.

During 2015 the CVC has overseen a significant improvement in the Group's whistleblowing arrangements. HSBC Confidential, launched in August, provides simplified access to whistleblowing channels which will enable more timely and consistent reporting of cases.

Looking ahead, the CVC will remain focused on how the Group's conduct approach is being implemented. It will pay particular attention to how effectively global programmes are being cascaded through the organisation, especially in the Group's key locations, using staff surveys, site visits and internal audits as appropriate.

As part of its remit to ensure that the Group acts responsibly towards the communities within which it operates, the Committee intends to review how effectively the Group seeks to satisfy itself that it is meeting its sustainability commitments.

I should like to take this opportunity to thank all Committee members and management for their contributions during the year. Heidi Miller stepped down from the Committee on 31 December and Pauline van der Meer Mohr joined with effect from 1 January: my warm thanks to Heidi for her lively participation in the Committee's work, and a hearty welcome to Pauline.

Rachel Lomax

Chairman, Conduct & Values Committee

22 February 2016

Members

Rachel Lomax (Chairman)

Laura Cha

Lord Evans of Weardale

Heidi Miller (until 31 December 2015)

Jonathan Symonds

Pauline van der Meer Mohr (from 1 January 2016)

Role and responsibilities

The role and responsibilities of the CVC are set out in its terms of reference which can be found on our website at www.hsbc.com/about-hsbc/corporate-governance/board-committees.

The CVC is responsible for:

- policies, procedures and standards to ensure that the Group conducts business responsibly and consistently adheres to HSBC Values. It aims to align its work to HSBC's purpose of connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions; and
- ensuring that in the conduct of its business, the Group treats customers fairly and openly, does business with the right clients and in the right way, is a responsible employer, acts responsibly towards the communities in which it operates and treats other stakeholders fairly.

The CVC oversees the promotion and embedding by management of HSBC Values and its required global conduct outcomes. The CVC also provides inputs, as appropriate, to the Group Remuneration Committee on the alignment of remuneration with conduct.

In 2016, the CVC will relinquish, and the Financial System Vulnerabilities Committee will assume, responsibility for oversight of controls relating to anti-bribery and corruption.

Governance

During 2015, the CVC held five meetings. Attendance is set out in the table on page 258.

The Chairman reports matters of significance to the Board after each meeting and the minutes of the meetings are made available to all Board members.

How the CVC discharged its responsibilities

During the course of 2015 the CVC received regular reports and presentations from global business and functional heads.

The chief executives of the global businesses provide regular reports to the CVC, including an analysis of customer complaint trends, at each meeting. The CVC also receives reports on whistleblowing cases, the outcomes of internal audits and initiatives to embed values-based leadership as part of the Group's ongoing cultural transformation.

Committee effectiveness

The effectiveness of the CVC was evaluated as part of the overall performance evaluation of the Board.

Principal activities and significant issues considered	Action taken
Global approach to conduct	The CVC received reports from the Global Head of Regulatory Compliance on how the Group approach to conduct is being managed to deliver the required conduct outcomes. Each global business is requested to present plans to close out any gaps identified against the required outcomes and progress on implementation of key conduct-related programmes. These plans provide improved training and development of staff. Each Global Business produced conduct-related management information during 2015. It is now used at management level by each business to track any conduct-related issues.
Values	The CVC oversees the promotion and embedding of HSBC Values. The CVC reviewed with management various values and culture initiatives and contributed to action plans. It focused on the embedding of conduct-related training and the development of a new Group-wide code of conduct, and reviewed options to create an HSBC University. It is also working closely with management to define a comprehensive but pragmatic framework that lays out in practical, concrete language the do's and don'ts of desirable behaviour at HSBC.
Sustainability	The CVC led a project to put in place a simple, considered statement on the Group's policy with respect to human rights. This was approved in July 2015. It can be found at www.hsbc.com/citizenship/our-values . The CVC has also held discussions with management regarding the developments, potential changes and future agenda of sustainability as an area of focus for HSBC. This will continue into 2016.
Whistleblowing	The CVC has responsibility for the governance of the Group's whistleblowing policies and procedures, including the protection of whistleblowers. The CVC oversaw the successful launch of a new global channel to enable employees to raise concerns when they are not comfortable with their normal routes of escalation. This workstream also produced centralised reporting of whistleblowing cases and standardisation of reporting and tracking of investigation and consequences.
Employee engagement	The CVC monitored employee engagement across the Group and received the results of the Group People Survey conducted during 2015. Areas requiring attention were highlighted and the Committee requested that management provide regular updates on plans to address these.

Philanthropic & Community Investment Oversight Committee

I am pleased to present the first report of the Philanthropic & Community Investment Oversight Committee ('PCIOC') which was established in December 2014. The PCIOC is expected to oversee the Group's philanthropic and community investment activities on behalf of the Board and to provide greater visibility and oversight of the Group's corporate sustainability objectives. As highlighted in the table of principal activities below, the PCIOC has mainly focused on ensuring that the procedures and processes around the approval of charitable donations are appropriate and has endorsed the community investment budget for 2016.

I have chaired the PCIOC since its establishment, with Lord Evans of Weardale as the other non-executive Director member. In addition, the committee has non-Director members, each of whom brings valuable and relevant philanthropic and community-focused experience to the committee: Sir Malcolm Grant, who is the Chairman of NHS England and former President and Provost of University College London, and Stephen Moss, who is Group Head of Strategy & Planning.

In 2016, the Committee will additionally benefit from the membership of Lord Robin Janvrin, former Private Secretary to Queen Elizabeth II and chairman of trustees of The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry.

Laura Cha *Chairman*

Philanthropic & Community Investment Oversight Committee
22 February 2016

Members

Laura Cha (Chairman)

Lord Evans of Weardale

Sir Malcolm Grant (*non-Director member*)

Stephen Moss (*non-Director member*)

Lord Janvrin (*non-Director member*)

Role and responsibilities

The role and responsibilities of the PCIOC are set out in its terms of reference. The terms of reference can be found on our website at www.hsbc.com/about-hsbc/corporate-governance/board-committees.

The PCIOC oversees philanthropic and community investment initiatives, including both monetary donations and employee volunteering activities and reports thereon to the Board semi-annually.

How the PCIOC discharged its responsibilities

During the course of 2015, the PCIOC received regular reports and presentations from the Global Head of Marketing and the Head of Group Corporate Sustainability.

Principal activities and significant issues considered	Action taken
Governance of community investment	Given that the PCIOC was newly established in 2015, it has been keen to fully understand the Group's community investment policy and how decisions are made, how charities are vetted, the avoidance of conflicts of interest, the recording and reporting of donations made by the Group and the assurance process following up on these decisions.
Community investment budget and themes	The PCIOC received reports from the Global Sustainability function regarding the annual community investment budget and how it is decided, and endorsed the 2016 budget put forward by management. As a result of the 150th Anniversary Fund, the Group's community Investment budget has been increased by \$50m a year from 2015-2017.

Governance

The PCIOC was established at the end of 2014 and held three meetings during the year. Attendance is set out in the table on page 258.

The Chairman reports on matters of significance to the Board after each meeting and the minutes of the meetings are made available to all Board members.

Chairman's Committee

The Chairman's Committee has the power to act on behalf of the Board between scheduled Board meetings to facilitate ad hoc business requiring Board approval. The Committee meets with such frequency and at such times as it may determine, the quorum for meetings is dependent upon the nature of the business to be transacted, as set out in its terms of reference.

Internal control

The Board is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems and for determining the aggregate level and types of risks it is willing to take in achieving its strategic objectives.

Procedures

To meet this requirement and to discharge its obligations under the FCA Handbook and PRA Handbook, procedures have been designed for safeguarding assets against unauthorised use or disposal; for maintaining proper accounting records; and for ensuring the reliability and usefulness of financial information used within the business or for publication.

These procedures can only provide reasonable but not absolute assurance against material mis-statement, errors, losses or fraud. They are designed to provide effective internal control within HSBC and accord with the Financial Reporting Council's guidance for directors issued in 2014, internal control and related financial and business reporting. Our procedures have been in place throughout the year and up to 22 February 2016, the date of approval of the *Annual Report and Accounts 2015*.

In 2014, the GAC endorsed the adoption of the COSO 2013 framework for the monitoring of risk management and internal control systems to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Additionally, the risk management framework enabled the GRC to monitor controls over principal risks to meet the requirements of the UK Corporate Governance Code and the Hong Kong Corporate Governance Code.

HSBC's key risk management and internal control procedures include the following:

- **Group Standards.** The Global Standards Manual ('GSM') brings together the common standards and principles used in the conduct of all business, whatever its location or nature. The GSM overlays all other manuals throughout the Group and is a fundamental component of the Group's risk management structure. It establishes the high level standards and policies by which, and within which, all members of the Group conduct their businesses. The GSM is mandatory and applies to, and must be observed by, all businesses within the Group, regardless of the nature or location of their activities.
- **Delegation of authority within limits set by the Board.** Subject to certain matters reserved for the Board, the Group Chief Executive has been delegated authority limits and powers within which to manage the day-to-day affairs of the Group, including the right to sub-delegate those limits and powers. Each relevant Group Managing Director or Group Executive Director has delegated authority within which to manage the day-to-day affairs of the business or function for which he or she is accountable. Delegation of authority from the Board requires those individuals to maintain a clear and appropriate apportionment of significant responsibilities and to oversee the establishment and maintenance of systems of control that are appropriate to their business

or function. Appointments to the most senior positions within HSBC require the approval of the Board.

- **Risk identification and monitoring.** Systems and procedures are in place to identify, control and report on the material risk types facing HSBC as set out below:
 - wholesale credit risk;
 - retail credit risk;
 - insurance risk;
 - asset, liability and capital management risk;
 - market risk;
 - financial management risk;
 - model risk;
 - reputational risk;
 - pension risk;
 - strategic risk;
 - sustainability risk; and
 - operational risk (including accounting, tax, legal, regulatory compliance, financial crime compliance, fiduciary, political, physical, internal, external, contingency, information security, systems, operations, project and people risks).

Exposure to these risks is monitored by risk management committees, asset, liability and capital management committees and executive committees in subsidiaries and, for the Group, in Risk Management Meetings of the GMB ('RMM') which are chaired by the Group Chief Risk Officer. The RMM meets regularly to discuss enterprise-wide risk management matters. Asset, liability and capital management matters are monitored by the Group ALCO, which reports to the RMM.

HSBC's operational risk profile and the effective implementation of the Group's operational risk management framework are monitored by the Global Operational Risk Committee, which reports to the RMM.

Model risks are monitored by the Model Oversight Committee which also reports to the RMM.

- **Changes in market conditions/practices.** Processes are in place to identify new risks arising from changes in market conditions/practices or customer behaviours, which could expose HSBC to heightened risk of loss or reputational damage. The Group employs a top and emerging risks framework at all levels of the organisation, which enables it to identify current and forward-looking risks and to take action which either prevents them materialising or limits their impact. During 2015, attention was focused on:
 - economic outlook and capital flows;
 - geopolitical risk;
 - turning of the credit cycle;
 - regulatory developments affecting the business model and profitability;
 - regulatory commitments and consent orders;

- regulatory focus on conduct of business and financial crime;
 - dispute risk;
 - people risk;
 - execution risk;
 - third-party risk management;
 - model risk;
 - cyber threat and unauthorised access to systems; and
 - data management.
- **Strategic plans.** Strategic plans are prepared for global businesses, global functions and geographical regions within the framework of the Group's overall strategy. Annual Operating Plans, informed by detailed analysis of risk appetite describing the types and quantum of risk that the Group is prepared to take in executing its strategy, are prepared and adopted by all major HSBC operating companies and set out the key business initiatives and the likely financial effects of those initiatives.
 - **Disclosure Committee.** The Disclosure Committee reviews material public disclosures made by HSBC Holdings for any material errors, misstatements or omissions. The membership of the Disclosure Committee, which is chaired by the Group Company Secretary, includes the heads of Finance, Legal, Risk, Communications and Investor Relations. The integrity of disclosures is underpinned by structures and processes within the Global Finance and Global Risk functions that support expert and rigorous analytical review of financial reporting complemented by certified reviews by heads of global businesses, global functions and certain legal entities.
 - **Financial reporting.** The Group's financial reporting process for preparing the consolidated *Annual Report and Accounts 2015* is controlled using documented accounting policies and reporting formats, supported by a chart of accounts with detailed instructions and guidance on reporting requirements, issued by Group Finance to all reporting entities within HSBC in advance of each reporting period end. The submission of financial information from each reporting entity to Group Finance is subject to certification by the responsible financial officer, and analytical review procedures at reporting entity and Group levels.
 - **Responsibility for risk management.** Management are primarily accountable for measuring, monitoring, mitigating and managing the risks and controls in their areas of responsibility. Processes are in place to ensure weaknesses are escalated to senior management and addressed, supported by the three lines of defence model.
 - **IT operations.** Centralised control is exercised over all IT developments and operations. Common systems are employed for similar business processes wherever practicable.

- **Global function management.** Management of the global functions are responsible for setting policies, procedures and standards to control the principal risks detailed under 'Risk identification and monitoring' above.

Authorities to enter into credit and market risk exposures are delegated with limits to line management of Group companies. The concurrence of the appropriate global function is required, however, to credit proposals with specified higher risk characteristics. Credit and market risks are measured and reported at subsidiary company level and aggregated for risk concentration analysis on a Group-wide basis.

- **Internal Audit.** The establishment and maintenance of appropriate systems of risk management and internal control is the responsibility of business management. The Global Internal Audit function, which is centrally controlled, provides independent and objective assurance in respect of the adequacy of the design and operating effectiveness of the Group's framework of risk management, control and governance processes across the Group, focusing on the areas of greatest risk to HSBC using a risk-based approach. The Group Head of Internal Audit reports to the Chairman of the GAC and administratively to the Group Chief Executive. Executive management is responsible for ensuring that issues raised by the Global Internal Audit function are addressed within an appropriate and agreed timetable. Confirmation to this effect must be provided to Global Internal Audit.

Role of Board Committees

On behalf of the Board, the GAC has responsibility for overseeing risk management and internal controls over financial reporting and the GRC has responsibility for overseeing risk management and internal controls, other than over financial reporting.

During the year, the GRC and the GAC have kept under review the effectiveness of this system of internal control and have reported regularly to the Board. In carrying out their reviews, the GRC and the GAC received:

- regular business and operational risk assessments;
- regular reports from the Group Chief Risk Officer and the Group Head of Internal Audit;
- reports on the annual reviews of the risk control framework of HSBC Holdings which cover all internal controls, both financial and non-financial;
- half yearly confirmations to the GAC and GRC from audit and risk committees of principal subsidiary companies regarding, in relation to audit committees, whether their financial statements have been prepared in accordance with Group policies, present fairly the state of affairs of the relevant principal subsidiary and are prepared on a going concern basis;
- reports confirming if there have been any material losses, contingencies or uncertainties caused by weaknesses in internal controls;
- internal audit reports;

- external audit reports;
- prudential reviews; and
- regulatory reports.

The GRC and GAC have separately established governance frameworks for their respective oversight and interaction with the audit and risk committees of key entities within the Group. These provide for regular reporting, issues escalation and processes for the nomination and endorsement of subsidiary committee appointments. These principles and processes have in turn been cascaded by these key entities to their respective subsidiaries to provide clear vertical channels of governance.

The internal control responsibilities of the GAC and GRC are complemented by the activities of the Conduct & Values Committee ('CVC') and the Financial System Vulnerabilities Committee ('FSVC') which, respectively, oversee internal controls over conduct-related matters and financial crime compliance. The GRC receives regular reports at each of its meetings on the activities of both the CVC and the FSVC. The GRC monitors the status of top and emerging risks and considers whether the mitigating actions put in place are appropriate. In addition, when unexpected losses have arisen or when incidents have occurred which indicate gaps in the control framework or in adherence to Group policies, the GRC and the GAC review special reports, prepared at the instigation of management, which analyse the cause of the issue, the lessons learned and the actions proposed by management to address the issue.

Effectiveness of internal controls

The Directors, through the GRC and the GAC, have conducted an annual review of the effectiveness of our system of risk management and internal control covering all material controls, including financial, operational and compliance controls, risk management systems, the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting teams and the Global Risk function, and their training programmes and budget. The annual review of effectiveness of our system of risk management and internal control over financial reporting was conducted with reference to the COSO framework. The annual review of other controls was undertaken using the risk management framework on pages 102 to 103.

The GRC and the GAC have received confirmation that executive management has taken or is taking the necessary actions to remedy any failings or weaknesses identified through the operation of our framework of controls. In particular, during the year it was determined that the control environment associated with IT privileged access required significant improvement. Deficiencies were noted in the design and operation of controls for the granting, release and monitoring of privileged access in a number of systems. For the identified deficiencies management responded by implementing a programme to determine the scale and nature of the deficiencies, remediate identified control deficiencies and determine if privileged access had been misused during 2015. Management also identified and

assessed the effectiveness of relevant IT, business, monitoring and period-end mitigating controls.

Going concern and viability

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and Parent Company have the resources to continue in business for the foreseeable future.

In addition to the requirement to consider whether the going concern basis is appropriate, the Directors now have an obligation under the UK Corporate Governance Code to state in a Viability Statement whether they believe the Group and parent company will be able to continue in operation and meet their liabilities, taking account of their current position and principal risks, our top and emerging risks, and specify the period covered by and the appropriateness of this statement.

It is expected that the period assessed under the Viability Statement will be significantly longer than 12 months, which is the period over which going concern is assessed. For HSBC, the Directors have a reasonable expectation that the Group and parent company will be able to continue in operation and meet liabilities as they fall due over the next three years.

In making the going concern and viability assessments, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

The assessment has been made over a period of three years as this is within the period covered by the Group's future projections of profitability, the period over which regulatory and internal stress testing is carried out, and the period over which key capital and leverage ratios are forecast. Therefore detailed management information exists for three years, enabling Directors to assess the viability of the Group.

The Directors are satisfied that the period is sufficient to enable a reasonable assessment of viability to be made. In doing so, the Directors have assessed the principal risks (which for the Group are set out in our top and emerging risks on page 43), including the status of the DPA, as more fully described on page 307, that could threaten the Group's future prospects and business model. They considered the effect that those risks could have on the Group's risk profile relative to the risk appetite approved by the Board (see pages 101 and 102). The Directors view all of the identified top and emerging risks as relevant to the assessment of viability. In doing so, the Directors considered the range of information concerning each principal risk, including but not limited to the Annual Operating Plan, the programme of regulatory and internal stress tests, risk appetite and legal reports. The Directors also considered the information from the two reverse stress tests which the Group runs, one based on extreme macroeconomic dislocation in Europe and Asia, the other linked to the DPA. The Directors considered the principal risks in forming the strategic actions set out on page 18, ensuring that the forward-looking risk profile of the Group remained within our risk appetite.

Information relevant to the assessment of viability can be found in the following sections of the *Annual Report and Accounts 2015*:

- HSBC's principal activities, business and operating models, strategic direction and top and emerging risks are described in the 'Strategic Report';
- a financial summary, including a review of the consolidated income statement and the consolidated balance sheet, is provided in the 'Financial Review';
- HSBC's objectives, policies and processes for managing credit, liquidity and market risk are described under 'Risk'; and
- the capital position of the Group, regulatory developments, and the approach to management and allocation of capital are set out in the 'Capital' section.

Assessment of risks

The Directors have carried out a robust assessment of the principal risks facing the Group, together with mitigating actions planned or taken. The activities of the Board and its subcommittees and the significant issues considered by them are described on page 262.

In assessing these risks, Directors considered a wide range of information including:

- enterprise risk reports: risk appetite (see page 102), top and emerging risks (see page 103) and risk map (see page 103);
- reports and updates from management of risk-related issues identified for in-depth consideration;
- reports and updates over the course of the Bank of England stress testing exercise;
- reports and updates on the Group's compliance-related initiatives made in connection with the resolution of the investigations by US and UK regulatory and law enforcement authorities in December 2012 and also more generally;
- reports and updates on the Group's initiatives to deliver against key conduct, values and culture initiatives; and
- reports to the Board on matters discussed at the RMM.

Employees

At 31 December 2015 we had a total workforce of 264,000 full-time and part-time employees compared with 266,000 at the end of 2014 and 263,000 at the end of 2013.

Our main centres of employment were the UK with approximately 47,000 employees, India 33,000, Hong Kong 30,000, mainland China 22,000, Brazil 21,000, Mexico 16,000, the US 14,000 and France 9,000.

Employees performing at their best and the environment we create to make that possible are critical. We encourage employees to speak up, and reflect our purpose and values in the decisions we make and how we make them, as these decisions shape the future of our customers and colleagues.

Employee relations

We consult with and, where appropriate, negotiate with employee representative bodies. It is our policy to maintain well-developed communications and consultation programmes with all employee representative bodies and there have been no material disruptions to our operations from labour disputes during the past five years.

Diversity and inclusion

HSBC is committed to building a culture where all employees are valued and respected and where their opinions count. We remain committed to meritocracy, which requires a diverse and inclusive culture where employees believe that their views are heard, their concerns are attended to and they work in an environment where bias, discrimination and harassment on any matter, including gender, age, ethnicity, religion, sexual orientation and disability, are not tolerated and where advancement is based on objective criteria. An inclusive culture helps us respond to our diverse customer base, while developing and retaining a secure supply of skilled, committed employees. Our culture will be strengthened by employing the best people and optimising their ideas, abilities and differences.

Oversight of our diversity and inclusion agenda and related activities resides with the Global Diversity and Inclusion sub-function.

Employee development

The development of our employees is essential to the future strength of our business. We continue to develop and implement practices that build employee capability, and identify, develop and deploy talented employees to ensure an appropriate supply of high calibre individuals with the values, skills and experience for current and future senior management positions.

In 2015, we focused on developing technical skills, experiences and behaviours necessary to deliver against our Global Standards commitments, along with several Group-wide programmes on individual leadership, team management and on-boarding employees into HSBC.

Employment of disabled persons

We believe in providing equal opportunities for all employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during their employment with us, efforts are made to continue their employment and, if necessary, appropriate training and reasonable equipment and facilities are provided.

Health and safety

HSBC is committed to providing a safe and healthy environment for our employees, customers and visitors. We aim always to meet the minimum health and safety standards required by law wherever we operate and, where reasonably practical, to exceed them.

Everyone at HSBC has a responsibility for helping to create a safe working environment. Employees are expected to take ownership of their safety and are encouraged and empowered to report any concerns.

Corporate Real Estate has overall responsibility for setting global health and safety policies and standards. Achieving these policies and standards is the responsibility of each country's Chief Operating Officer. A global programme in 2015 involved the review of 1,850 premises in high and medium risk earthquake zones resulting in training and awareness for staff and the development of risk reduction programmes.

In terms of physical and geopolitical risk, Global Security and Fraud Risk provides regular security risk assessments to assist management in judging the level of terrorist and violent criminal threat. Its regional equivalents conduct biannual security reviews of all critical Group buildings to ensure measures to protect our staff, buildings, assets and information are appropriate to the level of threat. HSBC remains committed to the effective management of health and safety and protecting employees, customers and visitors to HSBC.

Employee health and safety

	2015	2014	2013
Number of employee workplace fatalities	–	2 ¹	–
Accidents involving more than three days' absence	110	96	101
All accident rate per 100,000 employees	274	388	355

1 Non-HSBC staff working on HSBC-related activity.

Remuneration policy

The quality and commitment of our employees is fundamental to our success and accordingly the Board aims to attract, retain and motivate the very best people. As trust and relationships are vital in our business our goal is to recruit those who are committed to making a long-term career with the Group.

HSBC's reward strategy supports this objective through balancing both short-term and sustainable performance. Our reward strategy aims to reward success, not failure, and be properly aligned with our risk framework and related outcomes. In order to ensure alignment between remuneration and our business strategy, individual remuneration is determined through assessment of performance delivered against both annual and long-term objectives summarised in performance scorecards, and adherence to the HSBC Values of being 'open, connected and dependable' and acting with 'courageous integrity'. Altogether, performance is judged, not only on what is achieved over the short- and long-term, but also on how it is achieved, as the latter contributes to the sustainability of the Group.

Further information on the Group's approach to remuneration is given on page 285.

The financial and non-financial measures incorporated in the annual and long-term scorecards are carefully considered to ensure alignment with the long-term strategy of the Group.

Employee share plans

Share options and discretionary awards of shares granted under HSBC share plans align the interests of employees with the creation of shareholder value. The tables on the following pages set out the particulars of outstanding options, including those held by employees working under employment contracts that are regarded as 'continuous contracts' for the purposes of the Hong Kong Employment Ordinance. The options were granted at nil consideration. No options have been granted to substantial shareholders and suppliers of goods or services, nor in excess of the individual limit for each share plan. No options were cancelled by HSBC during the year.

A summary for each plan of the total number of the options which were granted, exercised or lapsed during 2015 is shown in the following tables. Further details required to be disclosed pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are available on our website at www.hsbc.com/investor-relations/governance/share-plans and on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, or can be obtained upon request from the Group Company Secretary, 8 Canada Square, London E14 5HQ. Particulars of options held by Directors of HSBC Holdings are set out on page 314.

Note 6 on the Financial Statements gives details of share-based payments, including discretionary awards of shares granted under HSBC share plans.

All-employee share plans

HSBC operates all-employee share option plans under which options are granted over HSBC ordinary shares. Subject to leaver provisions, options are normally exercisable after three to five years. During 2015, options were granted at the middle market closing price for HSBC Holdings ordinary shares quoted on the London Stock Exchange which, as derived from the Daily Official List on 21 September 2015, the day prior to grant, was £4.95.

The all-employee share option plans will terminate on 23 May 2025 unless the Directors resolve to terminate the plans at an earlier date. There will be no further grants under the HSBC Holdings Savings-Related Share Option Plan: International.

The HSBC International Employee Share Purchase Plan was introduced in 2013 and now includes employees based in 25 jurisdictions.

HSBC Holdings All-employee Share Option Plans

						HSBC Holdings ordinary shares				
Dates of awards		Exercise price		Exercisable		At	Granted	Exercised	Lapsed	At
from	to	from	to	from	to	1 Jan 2015	during year	during year	during year	31 Dec 2015
Savings-Related Share Option Plan¹										
29 Apr 2009	22 Sep 2015	(£) 3.3116	(£) 5.4738	1 Aug 2014	30 April 2021	53,743,955	52,629,208	12,450,711	22,212,633	71,709,819
Savings-Related Share Option Plan: International²										
29 Apr 2009	24 Apr 2012	(£) 3.3116	(£) 5.4573	1 Aug 2014	31 Jan 2018	3,714,059	–	2,250,853	332,215	1,130,991
29 Apr 2009	24 Apr 2012	(\$ 4.8876	(\$ 8.2094	1 Aug 2014	31 Jan 2018	1,867,328	–	907,523	294,360	665,445
29 Apr 2009	24 Apr 2012	(€) 3.6361	(€) 6.0657	1 Aug 2014	31 Jan 2018	571,502	–	376,331	41,561	153,610
29 Apr 2009	24 Apr 2012	(HK\$) 37.8797	(HK\$) 63.9864	1 Aug 2014	31 Jan 2018	6,468,782	–	5,134,394	219,558	1,114,830

1 The weighted average closing price of the shares immediately before the dates on which options were exercised was £5.72.

2 The weighted average closing price of the shares immediately before the dates on which options were exercised was £5.73.

Discretionary share option plans

There have been no grants of discretionary share options under employee share plans since 30 September 2005.

				HSBC Holdings ordinary shares			
Dates of awards	Exercise price (£)	Exercisable		At 1 Jan 2015	Exercised during year	Lapsed during year	At 31 Dec 2015
		from	to				
HSBC Holdings Group Share Option Plan ¹							
20 Apr 2005	7.2869	20 Apr 2008	20 Apr 2015	6,373,982	–	6,373,982	–
HSBC Share Plan ¹							
30 Sep 2005	7.9911	30 Sep 2008	30 Sep 2015	86,046	–	86,046	–

1 The HSBC Holdings Group Share Option Plan expired on 26 May 2005 and the HSBC Share Plan expired on 27 May 2011. No options have been granted under the Plans since that date.

Other disclosures

Further information about share capital, Directors' interests, dividends and shareholders is set out in the Appendix to this section on page 281.

Annual General Meeting

The Annual General Meeting ('AGM') will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Friday 22 April 2016 at 11.00am.

An informal meeting of shareholders will be held at 1 Queen's Road Central, Hong Kong on Monday 18 April 2016 at 4.30pm.

A live webcast of the AGM will be available on www.hsbc.com. A recording of the proceedings will be available shortly after the conclusion of the AGM until 22 May 2016 on www.hsbc.com.

On behalf of the Board



Douglas Flint, Group Chairman
 HSBC Holdings plc
 Registered number 617987
 22 February 2016

Appendix to Corporate Governance – Other disclosures

Share capital

Issued share capital

The nominal value of HSBC Holdings' issued share capital paid up at 31 December 2015 was \$9,842,562,967 divided into 19,685,096,934 ordinary shares of \$0.50 each, 1,450,000 non-cumulative preference shares of \$0.01 each and 1 non-cumulative preference share of £0.01, representing approximately 99.9999%, 0.0001%, and 0%, respectively, of the nominal value of HSBC Holdings' total issued share capital paid up at 31 December 2015.

Rights and obligations attaching to shares

The rights and obligations attaching to each class of ordinary and non-cumulative preference shares in our share capital are set out in full in our Articles of Association. The Articles of Association may be amended by special resolution of the shareholders and can be found on our website at www.hsbc.com/about-hsbc/corporate-governance/corporate-governance-codes.

Ordinary shares

HSBC Holdings has one class of ordinary share, which carries no right to fixed income. There are no voting restrictions on the issued ordinary shares, all of which are fully paid. On a show of hands, each member present has the right to one vote at general meetings. On a poll, each member present or voting by proxy is entitled to one vote for every \$0.50 nominal value of share capital held. There are no specific restrictions on the transfer of ordinary shares which are governed by the general provisions of the Articles of Association and prevailing legislation.

At the 2012 AGM, shareholders gave authority to the Directors to offer a scrip dividend alternative until the earlier of the conclusion of the AGM in 2017 or 24 May 2017. In line with the Investment Association guidelines, shareholders' approval is being sought at the 2016 AGM to renew this authority for a further three-year period, expiring on the earlier of the conclusion of the AGM in 2019 or 21 April 2019.

Information on the policy adopted by the Board for paying interim dividends on the ordinary shares may be found on page 470, under the heading 'Shareholder Information'.

Preference shares

The preference shares, which have preferential rights to income and capital, do not, in general, confer a right to attend and vote at general meetings.

There are three classes of preference shares in the share capital of HSBC Holdings; non-cumulative preference shares of \$0.01 each (the 'dollar preference shares'); non-cumulative preference shares of £0.01 each (the 'sterling preference shares'); and non-cumulative preference shares of €0.01 (the 'euro preference shares'). The dollar preference shares in issue are Series A dollar preference shares and the sterling preference share in issue is a Series A sterling preference share. There are no euro preference shares in issue.

Information on dividends declared for 2015 and 2016 may be found on page 283, under the heading 'Dividends and shareholders' and in Note 9 to the Financial Statements.

Further details of the rights and obligations attaching to the HSBC Holdings' issued share capital may be found in Note 35 to the Financial Statements.

Share capital changes in 2015

The following events occurred during the year in relation to the ordinary share capital of HSBC Holdings:

Scrip dividends

Issued in lieu of	HSBC Holdings ordinary shares issued		Aggregate nominal value \$	Market value per share	
	on	number		\$	£
Fourth interim dividend for 2014	30 April 2015	236,223,184	118,111,592	8.5121	5.6536
First interim dividend for 2015	8 July 2015	24,351,484	12,175,742	9.4959	6.2020
Second interim dividend for 2015	2 October 2015	18,425,272	9,212,636	8.6907	5.5464
Third interim dividend for 2015	3 December 2015	96,956,825	48,478,413	7.8417	5.1270

Report of the Directors: Corporate Governance (continued)

Appendix to Corporate Governance

All-employee share plans

	Number	Aggregate nominal value \$		Exercise price from	to
HSBC Holdings savings-related share option plans					
HSBC ordinary shares issued in £	14,701,564	7,350,782	£	3.3116	5.4738
HSBC ordinary shares issued in HK\$	5,134,394	2,567,197	HK\$	37.8797	63.9864
HSBC ordinary shares issued in \$	907,523	453,762	US\$	4.8876	8.2094
HSBC ordinary shares issued in €	376,331	188,166	€	3.6361	6.0657
Options over HSBC ordinary shares lapsed	23,100,327	11,550,164			
Options over HSBC ordinary shares granted in response to approximately 28,000 applications from HSBC employees in the UK on 22 September 2015	52,629,208				
HSBC International Employee Share Purchase Plan	39,763	19,882	£	4.8740	6.2590
Plan d'Épargne					
HSBC ordinary shares issued for the benefit of non-UK resident employees of HSBC France and its subsidiaries	1,497,450	748,725	€	7.4221	

HSBC share plans

	HSBC Holdings ordinary shares issued	Aggregate nominal value \$	Market value per share from (£)	to (£)
Vesting of awards under the HSBC Share Plan and HSBC Share Plan 2011	68,608,884	34,304,442	4.8555	6.4110

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

At the AGM in 2015, shareholders renewed the general authority for the Directors to allot new shares up to 12,823,397,868 ordinary shares, 15,000,000 non-cumulative preference shares of £0.01 each, 15,000,000 non-cumulative preference shares of \$0.01 each and 15,000,000 non-cumulative preference shares of €0.01 each. Within this, the Directors have authority to allot up to a maximum of 961,754,840 ordinary shares wholly for cash to persons other than existing shareholders. Shareholders also renewed the authority for the Directors to make market purchases of up to 1,923,509,680 ordinary shares. The Directors have not exercised this authority.

In addition, shareholders gave authority for the Directors to grant rights to subscribe for, or to convert any security into, no more than 3,627,000,000 ordinary shares in relation to any issue by HSBC Holdings or any member of the Group of contingent convertible securities that automatically convert into or are exchanged for ordinary shares in HSBC Holdings in prescribed circumstances. Further details about the issue of contingent convertible securities may be found in Note 35 on the Financial Statements.

Other than as disclosed in the table above headed 'Share capital changes in 2015', the Directors did not allot any shares during 2015.

Treasury shares

In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange on 19 December 2005, HSBC Holdings will comply with the applicable law and regulation in the UK in relation to the holding of any shares in treasury and with the conditions of the waiver in connection with any shares it may hold in treasury. Pursuant to Chapter 6 of the UK Companies Act 2006, no shares are currently held in treasury.

Directors' interests

Pursuant to the requirements of the UK Listing Rules and according to the register of Directors' interests maintained by HSBC Holdings pursuant to section 352 of the Securities and Futures Ordinance of Hong Kong, the Directors of HSBC Holdings at 31 December 2015 had interests, all beneficial unless otherwise stated, in the shares or debentures of HSBC Holdings and its associated corporations as tabulated overleaf.

Irene Lee and Pauline van der Meer Mohr did not hold any shares or debentures of HSBC Holdings plc or its associated corporations during the year.

No Directors held any short position as defined in the Securities and Futures Ordinance of Hong Kong in the shares or debentures of HSBC Holdings and its associated corporations. Save as stated above, none of the Directors had an interest in any shares or debentures of HSBC Holdings or any associated corporation at the beginning or at the end of the year, and none of the Directors or their connected persons were awarded or exercised any right to subscribe for any shares or debentures in any HSBC corporation during the year.

Directors' interests – shares and debentures

	At 31 December 2015					
	At 1 January 2015	Beneficial owner	Child under 18 or spouse	Jointly with another person	Trustee	Total interests ¹
HSBC Holdings ordinary shares						
Phillip Ameen ³	–	5,000	–	–	–	5,000
Kathleen Casey ³	–	3,540	–	–	–	3,540
Safra Catz ³	20,045	20,970	–	–	–	20,970
Laura Cha	–	5,200	–	–	–	5,200
Lord Evans of Weardale	5,519	7,416	–	–	–	7,416
Joachim Faber	24,105	45,778	–	–	–	45,778
Rona Fairhead	76,524	–	–	77,888	–	77,888
Douglas Flint	400,748	401,450	–	–	–	401,450
Stuart Gulliver	2,611,188	2,684,380	176,885	–	–	2,861,265
Sam Laidlaw	36,768	36,596	–	–	1,416 ²	38,012
John Lipsky ³	15,820	16,165	–	–	–	16,165
Rachel Lomax	15,500	18,900	–	–	–	18,900
Iain Mackay	79,933	223,872	–	–	–	223,872
Heidi Miller ³	3,575	3,695	–	–	–	3,695
Marc Moses	480,423	624,643	–	–	–	624,643
Sir Simon Robertson	22,981	34,118	–	–	–	34,118
Jonathan Symonds	20,553	16,886	4,885	–	–	21,771
HSBC USA Inc. \$2.8575 Cumulative Preferred Shares, Series Z						
Phillip Ameen	31	–	–	–	–	–
	RMBm	RMBm	RMBm	RMBm	RMBm	RMBm
HSBC Bank 2.875% Notes 2015						
Joachim Faber ⁴	5.1	–	–	–	–	–

1 Executive Directors' other interests in HSBC Holdings ordinary shares arising from the HSBC Holdings savings-related share option plans and the HSBC Share Plan 2011 are set out in the Scheme interests in the Directors' Remuneration Report on page 312. At 31 December 2015, the aggregate interests under the Securities and Futures Ordinance of Hong Kong in HSBC Holdings ordinary shares, including interests arising through employee share plans were: Douglas Flint – 404,369; Stuart Gulliver – 5,909,069; Iain Mackay – 1,478,507; and Marc Moses – 2,171,463. Each Director's total interests represents less than 0.03% of the shares in issue.

2 Non-beneficial.

3 Phillip Ameen has an interest in 1,000, Kathleen Casey has an interest in 708, Safra Catz has an interest in 4,194, John Lipsky has an interest in 3,233 and Heidi Miller has an interest in 739 listed American Depositary Shares ('ADS'), which are categorised as equity derivatives under Part XV of the Securities and Futures Ordinance of Hong Kong. Each ADS represents five HSBC Holdings ordinary shares.

4 Non-beneficial interest in renminbi ('RMB') 1.2m 2.875% Notes 2015 which were redeemed on the due date of 30 April 2015.

Since the end of the year, the aggregate interests of the following Director have increased by the number of HSBC Holdings ordinary shares shown against his name:

HSBC Holdings ordinary shares	
Douglas Flint (beneficial owner)	31 ¹

1 The acquisition of shares in the HSBC Holdings UK Share Incentive Plan through regular monthly contributions.

There have been no other changes in the shares or debentures of the Directors from 31 December 2015 to the date of this report. Any subsequent changes up to the last practicable date before the publication of the *Notice of Annual General Meeting* will be set out in the notes to that notice.

At 31 December 2015, non-executive Directors and senior management (being executive Directors and Group Managing Directors of HSBC Holdings) held, in aggregate, beneficial interests in 18,959,851 HSBC Holdings ordinary shares (0.10% of the issued ordinary shares). At 31 December 2015, executive Directors and senior management held, in aggregate, options to subscribe for 29,128 HSBC Holdings ordinary shares under the HSBC Holdings savings-related share option plans. These options are exercisable between 2017 and 2021 at prices ranging from £4.0472 to £5.1887 per ordinary share.

Dividends and shareholders

Dividends for 2015

First, second and third interim dividends for 2015, each of \$0.10 per ordinary share, were paid on 8 July 2015, 2 October 2015 and 3 December 2015, respectively. Note 9 on the Financial Statements gives more information on the dividends declared in 2015. On 22 February 2016, the Directors declared a fourth interim dividend for 2015 of \$0.21 per ordinary share in lieu of a final dividend, which will be payable on 20 April 2016 in cash in US dollars, or in sterling or Hong Kong dollars at exchange rates to be determined on 11 April 2016, with a scrip dividend alternative. As the fourth interim dividend for 2015 was declared after 31 December 2015 it has not been included in the balance sheet of HSBC as a debt. The reserves available for distribution at 31 December 2015 were \$46,591m.

Report of the Directors: Corporate Governance / Directors' Remuneration Report

Appendix to Corporate Governance / Statement from Group Remuneration Committee Chairman

A quarterly dividend of \$15.50 per 6.20% non-cumulative US dollar preference share, Series A ('Series A dollar preference share'), (equivalent to a dividend of \$0.3875 per Series A American Depositary Share, each of which represents one-fortieth of a Series A dollar preference share), was paid on 16 March, 15 June, 15 September and 15 December 2015.

Dividends for 2016

Quarterly dividends of \$15.50 per Series A dollar preference share (equivalent to a dividend of \$0.3875 per Series A American Depositary Share, each of which represents one-fortieth of a Series A dollar preference share) and £0.01 per Series A sterling preference share were declared on 5 February 2016 for payment on 15 March 2016.

Communication with shareholders

Communication with shareholders is given high priority. The Board has adopted a shareholder communication policy which is available on www.hsbc.com. Extensive information about our activities is provided to shareholders in the *Annual Report and Accounts*, the *Strategic Report* and the *Interim Report* which are available on www.hsbc.com. There is regular dialogue with institutional investors, and enquiries from individuals on matters relating to their shareholdings and our business are welcomed and are dealt with in an informative and timely manner. All shareholders are encouraged to attend the Annual General Meeting or the informal meeting of shareholders held in Hong Kong to discuss our progress. Shareholders may send enquiries to the Board in writing to the Group Company Secretary, HSBC Holdings plc, 8 Canada Square, London E14 5HQ or by sending an email to shareholderquestions@hsbc.com.

Shareholders may require the Directors to call a general meeting other than an annual general meeting as provided by the UK Companies Act 2006. Requests to call a general meeting may be made by members representing at least 5% of the paid-up capital of the Company as carries the right of voting at general meetings of HSBC Holdings (excluding any paid-up capital held as treasury shares). A request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A request may be in hard copy form or in electronic form and must be authenticated by the person or persons making it. A request may be made in writing to the postal address referred to in the paragraph above or by sending an email to shareholderquestions@hsbc.com. At any general meeting convened on such request no business shall be transacted except that stated by the requisition or proposed by the Board.

Notifiable interests in share capital

At 31 December 2015, HSBC Holdings had received the following notification of major holdings of voting rights pursuant to the requirements of Rule 5 of the Disclosure Rules and Transparency Rules:

- BlackRock, Inc. gave notice on 9 December 2009 that on 7 December 2009 it had the following: an indirect interest in HSBC Holdings ordinary shares of 1,142,439,457; qualifying financial instruments with 705,100 voting rights that may be acquired if the instruments are exercised or converted; and financial instruments with similar economic effect to qualifying financial instruments which refer to 234,880 voting rights, each representing 6.56%, 0.0041% and 0.0013%, respectively, of the total voting rights at that date.

At 31 December 2015, according to the register maintained by HSBC Holdings pursuant to section 336 of the Securities and Futures Ordinance of Hong Kong:

- JPMorgan Chase & Co. gave notice on 24 December 2015 that on 22 December 2015 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,018,886,506 shares; a short position of 191,280,267 shares; and a lending pool of 577,920,072 shares, each representing 5.17%, 0.97% and 2.93%, respectively, of the ordinary shares in issue at that date. Since 31 December 2015 and following interim notifications on 13 and 19 January, JPMorgan Chase & Co. gave notice on 21 January 2016 that on 19 January 2016 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,031,430,337 shares; a short position of 202,548,058 shares; and a lending pool of 570,470,431 shares, each representing 5.23%, 1.02% and 2.89%, respectively, of the ordinary shares in issue at that date; and
- BlackRock, Inc. gave notice on 23 December 2015 that on 20 October 2015 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,266,331,205 shares and a short position of 4,177,847 shares, each representing 6.60% and 0.02%, respectively, of the ordinary shares in issue at that date. Since 31 December 2015 and following interim notifications on 22 January, BlackRock, Inc. gave notice on 26 January 2016 that on 21 January 2016 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,375,525,890 shares and a short position of 7,428,578 shares, each representing 6.99% and 0.04%, respectively, of the ordinary shares in issue at that date.

Sufficiency of float

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at least 25% of the total issued share capital has been held by the public at all times during 2015 and up to the date of this report.

Dealings in HSBC Holdings listed securities

Except for dealings as intermediaries by subsidiaries of HSBC Holdings plc, neither HSBC Holdings plc nor any of its subsidiaries purchased, sold or redeemed any of its securities listed on the Stock Exchange of Hong Kong Limited during the year ended 31 December 2015.