

SUMMARY OF HSBC HOLDINGS PLC CORPORATE GOVERNANCE REPORT

The information set out below and information incorporated by reference is a summary of the Corporate Governance Report of HSBC Holdings plc ('HSBC') contained on pages 263 to 299 of the *Annual Report and Accounts 2014 (the 'Annual Report')*.

Board of Directors

The Board of Directors of HSBC Holdings (the 'Board') exists to promote the long-term success of the Company and deliver sustainable value to our shareholders. Led by the Group Chairman, it 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 Management Board ('GMB') which, in turn, is led by the Group Chief Executive.

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/1/2/about/board-of-directors. The Board reviews its terms of reference annually.

Group Management Board (GMB)

The Group Chief Executive chairs the GMB. The head of each global business and global function and the chief executive of each region attends GMB meetings, either as members or by invitation. The Group Chief Risk Officer chairs regular Risk Management Meetings of the GMB. The Risk Management Meetings 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. The Risk Management Meeting also reviews the development and implementation of Global Standards reflecting best practices which must be adopted and adhered to consistently throughout the Group. The Head of Group Financial Crime Compliance and Group Money Laundering Reporting Officer attends this section of the Risk Management Meeting.

Group Audit Committee (GAC)

The Group Audit Committee has non-executive responsibility for oversight of, and advice to the Board on, matters relating to financial reporting.

Group Risk Committee (GRC)

The Group Risk Committee (GRC) is responsible for advising the Board on high-level risk-related matters and risk governance and for non-executive oversight of risk management and internal controls (other than over financial reporting).

Remuneration Committee

The Group Remuneration Committee is responsible for approving remuneration policy. As part of its role, it considers the terms of fixed pay, annual incentive plans, share plans, other long-term incentive plans, benefits and the individual remuneration packages of executive Directors and other senior Group employees and in doing so takes into account the pay and conditions across the Group. No Directors are involved in deciding their own remuneration.

Nomination Committee

The key responsibility of the Nomination Committee is to ensure there is an appropriate balance of skills, knowledge, experience, diversity and independence on the Board.

Conduct and Values Committee

The Conduct & Values Committee was established in January 2014 to provide Board oversight of the Group's multiple efforts to raise standards of conduct and to embed the behavioural values the Group stands for. The delivery of fair outcomes for customers and upholding market integrity is a prime driver of a sustainable and profitable business. The Committee will additionally address its sustainability responsibilities, as inherited from the now-demised Corporate Sustainability Committee, so as to ensure that HSBC acts responsibly towards the communities within which it operates.

Internal Controls

The Directors are responsible for maintaining and reviewing the effectiveness of risk management and internal control systems and for determining the nature and extent of the

significant risks it is willing to take in achieving its strategic objectives. 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.

Financial Reporting

The Group financial reporting process for preparing the consolidated *Annual Report and Accounts 2014* 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 the Group 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.

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 Global Finance, Legal, Risk (including Financial Crime Compliance and Regulatory Compliance), Communications, Investor Relations, and Internal Audit functions and representatives from the principal regions and global businesses. 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.

