

Report of the Directors: Governance

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Corporate Governance Report

The information set out on pages 281 to 329 and information incorporated by reference constitutes the Corporate Governance Report of HSBC Holdings.

Directors

S K Green, Group Chairman

Age 60. An executive Director since 1998; Group Chief Executive from 2003 to 2006. Joined HSBC in 1982. Chairman of HSBC Bank plc and HSBC Private Banking Holdings (Suisse) SA. A Director of HSBC France, HSBC North America Holdings Inc. and The Hongkong and Shanghai Banking Corporation Limited. Executive Director, Corporate, Investment Banking and Markets from 1998 to 2003. Chairman of The British Bankers' Association.

Mr Green is a career banker having joined The Hongkong and Shanghai Banking Corporation Limited in 1982 with responsibility for corporate planning activities. In 1992 he became Group Treasurer of HSBC Holdings plc, with responsibility for the HSBC Group's treasury and capital markets businesses globally. He has worked in Hong Kong, New York, the Middle East and London and has immense international experience and knowledge of the HSBC Group.

M F Geoghegan, CBE, Group Chief Executive

Age 55. An executive Director since 2004. Joined HSBC in 1973. Chairman of the Group Management Board. Chairman of HSBC Bank USA, N.A., HSBC Bank Canada, HSBC Latin America Holdings (UK) Limited and HSBC USA Inc. Deputy Chairman of HSBC Bank plc. A Director of The Hongkong and Shanghai Banking Corporation Limited, and HSBC North America Holdings Inc. Chief Executive of HSBC Bank plc from 2004 to 2006. Responsible for all of HSBC's business throughout South America from 2000 to 2003. President of HSBC Bank Brasil S.A. – Banco Múltiplo from 1997 to 2003.

Mr Geoghegan is a career banker with over 35 years' international experience with HSBC. He has worked in the Americas, Asia, the Middle East and Europe. He established the Group's operations in Brazil in 1997 following the creation of Banco HSBC Bamerindus S.A and in 2003 he was honoured with a CBE in recognition of his contribution to British business interests in Brazil.

† S A Catz

Age 47. President and Chief Financial Officer of Oracle Corporation. A non-executive Director since 1 May 2008. Managing Director of Donaldson, Lufkin & Jenrette from 1997 to 1999. Joined Oracle in 1999 and appointed to the Board of Directors in 2001.

Ms Catz brings to the Board a background in international business leadership, having helped

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transform Oracle into the second biggest producer of management software and the world's leading supplier of software for information management.

† **M K T Cheung**, GBS, OBE

Age 61. A non-executive Director since 1 February 2009. A non-executive Director of Hang Seng Bank Limited, HKR International Limited, Hong Kong Exchanges and Clearing Limited and Sun Hung Kai Properties Limited. A non-official member of the Executive Council of the Hong Kong Special Administrative Region, Chairman of the Airport Authority Hong Kong, Chairman of the Council of the Hong Kong University of Science and Technology and a Council Member of the Open University of Hong Kong. A Director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited and The Hong Kong International Film Festival Society Limited. Chairman and Chief Executive Officer of KPMG Hong Kong from 1996 to 2003. Awarded the Gold Bauhinia Star by the Hong Kong Government in 2008.

Dr Cheung brings to the Board a wealth of experience in international business and financial accounting, particularly in Greater China and the wider Asian economy. He retired from KPMG Hong Kong in 2003 after more than 30 years' distinguished service with the firm. He is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales.

V H C Cheng, GBS, OBE

Age 60. Chairman of The Hongkong and Shanghai Banking Corporation Limited. An executive Director since 1 February 2008. Joined HSBC in 1978. Appointed a Group General Manager in 1995 and a Group Managing Director in 2005. Chairman of HSBC Bank (China) Company Limited and HSBC Global Asset Management (Hong Kong) Limited and a non-executive Director of HSBC Bank Australia Limited and HSBC Bank (Vietnam) Limited. A Director of Great Eagle Holdings Limited and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Vice Chairman of the China Banking Association. Appointed a member of the National Committee of the 11th Chinese People's Political Consultative Conference ('CPPCC'), and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. A Director of Swire Pacific Limited from 2005 to January 2008. Awarded the Gold Bauhinia Star by the Hong Kong Government in 2005.

Mr Cheng is a career banker with extensive international business experience particularly in Asia. Mr Cheng was Chairman of the Process Review Panel for the Securities and Futures Commission and is Chairman of the Standing Committee on Directorate Salaries and Conditions of Service of the Hong Kong Government. He is also Vice President of the Hong Kong Institute of Bankers. From 1989 to 1991, he was seconded to the Hong Kong Government's Central Policy Unit and served as an adviser to the Governor of Hong Kong.

† **J D Coombe**

Age 63. Non-executive Chairman of Hogg Robinson Group plc. A non-executive Director since 2005. A member of the Group Audit Committee and of the Remuneration Committee. A non-executive Director of Home Retail Group plc. A trustee of the Royal Academy Trust. Former appointments include: executive Director and Chief Financial Officer of GlaxoSmithKline plc; member of the Supervisory Board of Siemens AG; Chairman of The Hundred Group of Finance Directors and a member of the Accounting Standards Board.

Mr Coombe brings to the Board a wealth of experience in international business, financial accounting and the pharmaceutical industry. As Chief Financial Officer of GlaxoSmithKline he had responsibility for the Group's financial operations globally. He is a Chartered Accountant and is a Fellow of the Institute of Chartered Accountants in England and Wales.

† **J L Durán**

Age 44. A non-executive Director of France Telecom. A non-executive Director since 1 January 2008. Chief Executive of Carrefour SA until 31 December 2008. Former appointments at Carrefour SA include: Chairman of its Management Board of Directors; Chief Financial Officer and Managing Director, Organisation and Systems.

Mr Durán brings to the Board a background in international finance, retail and consulting in developed and emerging markets. He joined Carrefour SA in 1991 and held a number of positions within Carrefour's businesses in Spain, southern Europe and the Americas.

† **R A Fairhead**

Age 47. Chairman, Chief Executive Officer and Director of Financial Times Group Limited. A non-executive Director since 2004. Chairman of the Group Audit Committee and a member of the Nomination Committee. A Director of Pearson plc

and Chairman of Interactive Data Corporation. A non-executive Director of The Economist Newspaper Limited. Former appointments include: Executive Vice President, Strategy and Group Control of Imperial Chemical Industries plc; and Finance Director of Pearson plc.

Mrs Fairhead brings to the Board a wealth of experience in international industry, publishing, finance and general management. As the former Finance Director of Pearson plc she oversaw the day to day running of the finance function and was directly responsible for global financial reporting and control, tax and treasury. She has a Masters in Business Administration from the Harvard Business School.

D J Flint, CBE, Group Finance Director

Age 53. Joined HSBC as an executive Director in 1995. Chairman of HSBC Finance Corporation and a Director of HSBC North America Holdings Inc. A non-executive Director of BP p.l.c. and a member of the Consultative Committee of the Large Business Advisory Board of HM Revenue & Customs and the Business Government Forum on Tax and Globalisation. Co-Chairman of the Counterparty Risk Management Policy Group III. Chaired the Financial Reporting Council's review of the Turnbull Guidance on Internal Control. Served on the Accounting Standards Board and the Standards Advisory Council of the International Accounting Standards Board from 2001 to 2004. A former partner in KPMG.

Mr Flint has extensive financial experience particularly in banking, multinational financial reporting, treasury and securities trading operations. In 2006 he was honoured with a CBE in recognition of his services to the finance industry. He is a member of the Institute of Chartered Accountants of Scotland and the Association of Corporate Treasurers and he is a Fellow of The Chartered Institute of Management Accountants.

A A Flockhart, CBE

Age 57. Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited and Global Head of Commercial Banking. An executive Director since 1 May 2008. Joined HSBC in 1974. Appointed a Group Managing Director in 2006. Appointed Vice Chairman and a Director of HSBC Bank (Vietnam) Limited on 24 November 2008. A Director of Hang Seng Bank Limited, HSBC Bank Australia Limited, HSBC Bank (China) Company Limited and Chairman of HSBC Bank Malaysia Berhad. President and Group Managing Director

Latin America and the Caribbean from 2006 to July 2007. Chief Executive Officer, Mexico from 2002 to 2006. Senior Executive Vice-President, Commercial Banking, HSBC Bank USA, N.A. from 1999 to 2002. Managing Director of The Saudi British Bank from 1997 to 1999.

Mr Flockhart is a career banker, being an emerging markets specialist with over 30 years' experience with HSBC across Latin America, the Middle East and Asia. In 2007 he was honoured with a CBE in recognition of his services to British business and charitable services and institutions in Mexico.

*** W K L Fung, SBS, OBE**

Age 60. Group Managing Director of Li & Fung Limited. A non-executive Director since 1998. Chairman of the Corporate Sustainability Committee. Non-executive Deputy Chairman of The Hongkong and Shanghai Banking Corporation Limited. A non-executive Director of Integrated Distribution Services Group Limited, Convenience Retail Asia Limited and an independent non-executive Director of Shui On Land Limited and VTech Holdings Limited. Former appointments include: non-executive Director of Bank of Communications; Chairman of the Hong Kong General Chamber of Commerce; the Hong Kong Exporters' Association; and the Hong Kong Committee for the Pacific Economic Cooperation Council. Awarded the Silver Bauhinia Star by the Hong Kong Government in 2008.

Mr Fung brings to the Board 30 years' experience in running a major international conglomerate specialising in supply chain management through the borderless manufacturing of global consumer products. During his leadership the family business of Li & Fung has become one of the largest trading companies in Hong Kong with over 80 offices worldwide.

ST Gulliver

Age 49. Chief Executive of Global Banking and Markets and HSBC Global Asset Management. An executive Director since 1 May 2008. Joined HSBC in 1980. Appointed a Group Managing Director in 2004. Chairman of HSBC France. A Director of HSBC Bank plc, HSBC North America Holdings Inc., HSBC Private Banking Holdings (Suisse) SA and The Hongkong and Shanghai Banking Corporation Limited. Deputy Chairman and member of the Supervisory Board of HSBC Trinkaus & Burkhart AG. Co-Head of Global Banking and Markets from 2003 to 2006. Head of Global Markets

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from 2002 to 2003. Head of Treasury and Capital Markets in Asia-Pacific from 1996 to 2002.

Mr Gulliver is a career banker with over 28 years' international experience with HSBC. 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. Global Banking and Markets is the wholesale banking division of the Group with operations in more than 60 countries and territories.

† **J W J Hughes-Hallett, SBS**

Age 59. Chairman of John Swire & Sons Limited. A non-executive Director since 2005. A member of the Group Audit Committee and of the Nomination Committee. A non-executive Director of The Hongkong and Shanghai Banking Corporation Limited from 1999 to 2004. A non-executive Director and former Chairman of Cathay Pacific Airways Limited and Swire Pacific Limited. A director of China Festival 2008. A trustee of the Dulwich Picture Gallery and the Esmée Fairbairn Foundation. A member of The Hong Kong Association, the Governing Body of the School of Oriental and African Studies, University of London and of the Governing Board of the Courtauld Institute of Art. Awarded the Silver Bauhinia Star by the Hong Kong Government in 2008.

Mr Hughes-Hallett brings to the Board a background in financial accounting and the management of a broad range of businesses in a number of international industries, including aviation, property, manufacturing and trading, in the United Kingdom, Far East and Australia. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

† **W S H Laidlaw**

Age 53. Chief Executive Officer of Centrica plc. A non-executive Director since 1 January 2008. A member of the Remuneration Committee. Former appointments include: Executive Vice President of Chevron Corporation; independent non-executive Director of Hanson PLC; Chief Executive Officer of Enterprise Oil plc; and President and Chief Operating Officer of Amerada Hess Corporation.

Mr Laidlaw brings to the Board significant international experience, particularly in the energy sector, having had responsibility for businesses in four continents.

† **J R Lomax**

Age 63. Former Deputy Governor, Monetary Stability, at the Bank of England and member of the Monetary Policy Committee. A non-executive Director since 1 December 2008. A member of the Group Audit Committee since 1 March 2009. A non-executive director of The Scottish American Investment Company PLC. Former appointments include: Director of the Bank of England from 2003 to 30 June 2008; Serving as Permanent Secretary at the UK Government Departments for Transport and Work and Pensions and at the Welsh Office; and Vice President and Chief of Staff to the President of the World Bank from 1995 to 1996.

Ms Lomax brings to the Board business experience in both the public and private sectors and a deep knowledge of the operation of the UK government and the financial system.

† **Sir Mark Moody-Stuart, KCMG**

Age 68. Chairman of Anglo American plc. A non-executive Director since 2001. Chairman of the Remuneration Committee and a member of the Corporate Sustainability Committee. A non-executive Director of Accenture Limited and Saudi Aramco. Chairman of the Global Business Coalition on HIV/AIDS and the Global Compact Foundation. Former appointments include: Director and Chairman of The 'Shell' Transport and Trading Company, plc; Chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group of Companies; and a Governor of Nuffield Hospitals.

Sir Mark brings to the Board many years' experience of leading global organisations and of having worked during his career in nine countries. He works with many non-governmental organisations to improve companies' commitment to socially responsible activities. He is a member of the steering committee responsible for driving the global governance initiative of the World Economic Forum, an independent foundation committed to developing a world-class corporate governance system.

† **G Morgan**

Age 63. Non-executive chairman of SNC-Lavalin Group Inc. A non-executive Director since 2006. A member of the Remuneration Committee. A member of the Board of Trustees of The Fraser Institute and the Manning Centre for Building Democracy. A non-executive Director of HSBC Bank Canada from 1996 to 2006. Former appointments include: Founding President, Chief Executive Officer and Vice Chairman of EnCana Corporation; Director of Alcan Inc. and Lafarge North America, Inc.

Mr Morgan brings to the Board a background in technical, operational, financial and management positions and has led large international companies in the energy and engineering sectors. He has been recognised as Canada's most respected Chief Executive Officer in a national poll of Chief Executives. He is currently a business columnist for Canada's largest national newspaper.

† **N R N Murthy**, CBE

Age 62. Chairman and Chief Mentor and former Chief Executive Officer of Infosys Technologies Limited. A non-executive Director since 1 May 2008. A member of the Corporate Sustainability Committee. An independent non-executive Director of Unilever plc and New Delhi Television Limited and a Director of the United Nations Foundation. A former independent non-executive Director of DBS Group Holdings Limited and DBS Bank Limited.

Mr Murthy brings to the Board experience in information technology, corporate governance and education, particularly in India. He founded Infosys Technologies Limited in India in 1981 and was its Chief Executive Officer for 21 years. Under his leadership, Infosys established a global footprint and was listed on NASDAQ in 1999. During his career he has worked in France and India.

† **S M Robertson**, senior independent non-executive Director

Age 67. Non-executive Chairman of Rolls-Royce Group plc and the founder member of Simon Robertson Associates LLP. A non-executive Director since 2006 and senior independent non-executive Director since May 2007. A member of the Nomination Committee. A non-executive Director of Berry Bros. & Rudd Limited, The Economist Newspaper Limited and Royal Opera House, Covent Garden Limited. A trustee of the Eden Project Trust and of the Royal Opera House Endowment Fund. Former appointments include: Managing Director of Goldman Sachs International; and Chairman of Dresdner Kleinwort Benson.

Mr Robertson brings to the Board a background in international corporate advisory with a wealth of experience in mergers and acquisitions, merchant banking, investment banking and financial markets. During his career he has worked in France, Germany, the UK and the USA.

† **J L Thornton**

Age 55. A non-executive Director since 1 December 2008. Non-executive Chairman and Director of HSBC North America Holdings Inc since 1 December 2008. Professor and Director of the Global Leadership Programme at the Tsinghua University School of Economics and Management. Chairman of the Brookings Institution Board of Trustees. Director of Ford Motor Company, Intel Corporation, Inc., News Corporation, Inc., National Committee on United States-China Relations and China Unicom (Hong Kong) Limited. Trustee of Asia Society, China Institute and The China Foreign Affairs University. Member of the Council on Foreign Relations, the China Securities Regulatory Commission International Advisory Committee and China Reform Forum International Advisory Committee. Former appointments include: Director of Industrial and Commercial Bank of China Limited from 2005 until 20 November 2008; and President Co-Chief Operating Officer of the Goldman Sachs Group, Inc. from 1999 until 2003.

Mr Thornton brings to the Board experience that bridges developed and developing economies and the public and private sectors. He has a deep knowledge of financial services and education systems, particularly in Asia. During his 23 year career with Goldman Sachs, he played a key role in the firm's global development and was Chairman of Goldman Sachs Asia.

† **Sir Brian Williamson**, CBE

Age 64. Chairman of Electra Private Equity plc. A non-executive Director since 2002. Chairman of the Nomination Committee. A Director of NYSE Euronext and Climate Exchange plc. A senior adviser to Fleming Family and Partners. Former appointments include: Chairman of London International Financial Futures and Options Exchange; Gerrard Group plc; Resolution Life Group Limited; and non-executive Director of Resolution plc, the Financial Services Authority and the Court of The Bank of Ireland.

Sir Brian brings to the Board extensive experience in futures, options and commodities trading internationally. He established the London International Financial Futures and Options Exchange in the 1980s and led the Exchange's development of its electronic trading platform in the mid-1990s. He is a member of the Guild for International Bankers.

* *Non-executive Director*

† *Independent non-executive Director*

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Biographies > Senior management

Secretary

R G Barber

Age 58. Group Company Secretary. Appointed a Group General Manager in 2006. Joined HSBC in 1980. Company Secretary of HSBC Holdings plc since 1990. Chairman of the Disclosure Committee. A member of the Listing Authority Advisory Committee of the Financial Services Authority and of the Primary Markets Group of the London Stock Exchange. Corporation Secretary of The Hongkong and Shanghai Banking Corporation Limited from 1986 to 1992 and Company Secretary of HSBC Bank plc from 1994 to 1996.

Adviser to the Board

D J Shaw

Age 62. An Adviser to the Board since 1998. Solicitor. A former partner in Norton Rose. A Director of The Bank of Bermuda Limited and HSBC Private Banking Holdings (Suisse) SA. A non-executive Director of Kowloon Development Company Limited and Shui On Land Limited.

Group Managing Directors

A Almeida

Age 52. Group Head of Human Resources. A Group Managing Director since 25 February 2008. Joined HSBC in 1992. Appointed a Group General Manager in June 2007. Global Head of Human Resources for Global Banking and Markets, Private Banking, Global Transaction Banking and HSBC Amanah from 1996 to June 2007.

E Alonso

Age 53. Group Managing Director and Head of HSBC Latin America and the Caribbean. A Group Managing Director since 1 May 2008. Joined HSBC in 1997. Appointed a Group General Manager in 2006. Chairman Grupo Financiero HSBC, S.A. de C.V. and HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC. Deputy Chief Executive of HSBC Investment Bank Brasil S.A. – Banco de Investimento. Director of HSBC Argentina Holdings S.A. and HSBC Bank Brasil S.A. – Banco Múltiplo. Managing Director of HSBC (Brasil) Administradora de Consorcio Ltda. and HSBC Serviços e Participações Ltda. President of the Board of Directors of HSBC Bank (Panamá) S.A.

C C R Bannister

Age 50. Group Managing Director, Insurance. A Group Managing Director since 2006. Joined HSBC in 1994. Chairman of HSBC Insurance Holdings Limited and Director of HSBC Insurance Brokers Limited since 16 January 2009. Chief Executive Officer, HSBC Group Private Banking from 1998 to 2006. Deputy Chief Executive Officer, HSBC Securities (USA) Inc. from 1996 to 1997.

K M Harvey

Age 48. Group Chief Technology and Services Officer. A Group Managing Director since 1 October 2008. Joined HSBC Finance in 1989. Group Chief Information Officer from 2004 to 30 September 2008. President of HSBC Technology and Services (USA) Inc. from 2003 to 2004. Group Executive for HSBC North America from 1993 to 2002. Managing Director of Data Processing, HFC Bank Limited from 1992 to 1993. Director of Banking Systems, HSBC North America from 1990 to 1992.

A C Hungate

Age 42. Global Head of Personal Financial Services and Marketing. Joined HSBC as a Group Managing Director in September 2007. Chairman of HSBC Bank A.S. since 6 January 2009. Formerly Managing Director, Asia Pacific at Reuters. Worldwide Chief Marketing Officer of Reuters between 2002 and 2005.

D D J John

Age 58. Deputy Chairman and Chief Executive, HSBC Bank plc. A Group Managing Director since 2006. Joined HSBC Bank plc in 1971. Deputy Chief Executive of HSBC Bank plc from 2005 to 2006 and Chief Operating Officer from 2003 to 2005. Deputy Chairman and Chief Executive Officer, HSBC Bank Malaysia Berhad from 1999 to 2002.

B P McDonagh

Age 50. Chief Executive Officer, HSBC North America Holdings Inc. A Group Managing Director since 21 February 2008. Joined HSBC in 1979. A Director of HSBC Bank Canada, HSBC Finance Corporation, HSBC Latin America Holdings (UK) Limited and HSBC North America Holdings Inc. Chief Executive Officer, HSBC Finance Corporation and Chief Operating Officer of HSBC North America Holdings Inc. from February 2007 to 21 February 2008. Chief Operating Officer, HSBC Bank USA, N.A. from 2004 to 2006.

Y A Nasr

Age 54. Group Managing Director, Strategic Investments. Chairman and Chief Executive of HSBC Bank Middle East Limited. A Group Managing Director since 2004. Joined HSBC in 1976. Deputy Chairman of HSBC Bank Egypt S.A.E. and a Director of HSBC Private Banking Holdings (Suisse) SA. Deputy Chairman of HSBC Bank Middle East Limited from May 2007 to 1 December 2008. President, HSBC Bank Brasil S.A. – Banco Múltiplo from 2003 to 2006. President and Chief Executive Officer of HSBC USA Inc. and HSBC Bank USA, N.A. from 1999 to 2003. President and Chief Executive Officer of HSBC Bank Canada from 1997 to 1999.

B Robertson

Age 54. Group Chief Risk Officer. A Group Managing Director since 25 February 2008. Joined HSBC in 1975. Appointed a Group General Manager in 2003. Group General Manager, Group Credit and Risk from 2005 to September 2007. Head of Global Banking and Markets for North America from 2003 to 2005.

P A Thurston

Age 55. Managing Director, UK Banking. A Group Managing Director since 1 May 2008. Joined HSBC in 1975. Appointed a Group General Manager in 2003. A Director of HSBC Bank plc since 1 June 2008. Former Chairman of Grupo Financiero HSBC, S.A. de C.V. and former Chief Executive Officer of HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC.

Group General Managers

P Y Antika

Age 48. Chief Executive Officer, HSBC Turkey. Joined HSBC in 1990. Appointed a Group General Manager in 2005.

S Assaf

Age 48. Head of Global Markets. Joined HSBC in 1994. Appointed a Group General Manager on 29 May 2008.

R S Beck

Age 42. Group General Manager, Communications Director. Joined HSBC in 1989. Appointed a Group General Manager on 29 May 2008.

R E T Bennett

Age 57. Group General Manager, Legal and Compliance. Joined HSBC in 1979. Appointed a Group General Manager in 1998.

N S K Booker

Age 50. Chief Executive Officer, HSBC Finance Corporation and Deputy Chief Executive Officer, HSBC North America Holdings Inc. Joined HSBC in 1981. Appointed a Group General Manager in 2004.

P W Boyles

Age 53. Chief Executive Officer, HSBC France. Joined HSBC in 1975. Appointed a Group General Manager in 2006.

D C Budd

Age 55. Chairman of HFC Bank Limited and a Director of HSBC Bank plc. Joined HSBC in 1972. Appointed a Group General Manager in 2005.

Z J Cama

Age 61. Group General Manager International. Joined HSBC in 1968. Appointed a Group General Manager in 2001.

R P Contractor

Age 51. Group General Manager, Service Delivery. Joined HSBC in 1987. Appointed a Group General Manager on 27 October 2008.

S N Cooper

Age 41. President and Chief Executive Officer, HSBC Korea. Joined HSBC in 1989. Appointed a Group General Manager on 29 May 2008.

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J E Coverdale

Age 52. Managing Director, The Saudi British Bank. Joined HSBC in 1977. Appointed a Group General Manager on 29 May 2008.

T M Detelich

Age 52. President, Consumer and Mortgage Lending, HSBC Finance Corporation. Joined HSBC Finance Corporation in 1976. Appointed a Group General Manager in 2006.

I M Dorner

Age 54. Deputy Chairman and Chief Executive Officer, HSBC Bank Malaysia Berhad. Joined HSBC in 1986. Appointed a Group General Manager in 2007.

A S El Anwar

Age 62. Chairman and Chief Executive Officer, HSBC Bank Egypt S.A.E. Joined HSBC in 1991. Appointed a Group General Manager on 29 May 2008.

C Engel

Age 51. Regional Director Personal Financial Services, HSBC Asia Pacific. Joined HSBC in 2003. Appointed a Group General Manager on 29 May 2008.

D L Fried

Age 47. Regional Head of Insurance, HSBC Asia Pacific. Joined HSBC in 1984. Appointed a Group General Manager on 29 May 2008.

A Y M Fung

Age 48. Head of Global Markets and Treasurer, HSBC Asia Pacific. Joined HSBC in 1996. Appointed a Group General Manager on 29 May 2008.

J D Garner

Age 39. Group General Manager, Personal Financial Services and Direct Businesses, HSBC Bank plc. Joined HSBC in 2004. Appointed a Group General Manager in 2006.

J L Gordon

Age 56. President and Chief Executive Officer, HSBC Bank Canada. Joined HSBC in 1987. Appointed a Group General Manager in 2005.

M Hussain

Age 48. Chief Executive Officer, Global HSBC Amanah and Global Banking and Markets, Middle East and North Africa. Joined HSBC in 1993. Appointed a Group General Manager on 29 May 2008.

A M Keir

Age 50. Group General Manager, Commercial Banking, HSBC Europe and Global Co-Head Commercial Banking. Joined HSBC in 1981. Appointed a Group General Manager in 2006.

N L Kidwai

Age 51. Chief Executive Officer, HSBC India. Joined HSBC in 2002. Appointed a Group General Manager in 2006.

M J W King

Age 52. Group General Manager, Internal Audit. Joined HSBC in 1986. Appointed a Group General Manager in 2002.

P J Lawrence

Age 47. Head of Global Banking and Markets, HSBC USA. President and Chief Executive Officer, HSBC Bank USA, N.A. and HSBC USA Inc. Director of HSBC North America Holdings Inc. Joined HSBC in 1982. Appointed a Group General Manager in 2005.

M Leung

Age 56. Global Co-Head Commercial Banking. Joined HSBC in 1978. Appointed a Group General Manager in 2005.

A Long

Age 53. Head of Global Transaction Banking. Joined HSBC in 1977. Appointed a Group General Manager on 29 May 2008.

A M Losada

Age 54. President and Chief Executive Officer, HSBC Argentina. Joined HSBC in 1973. Appointed a Group General Manager on 29 May 2008.

A M Mahoney

Age 46. Group General Manager and Head of International, HSBC Bank plc. Joined HSBC in 1983. Appointed a Group General Manager in 2006.

C M Meares

Age 51. Chief Executive Officer, Global Private Banking. Joined HSBC in 1980. Appointed a Group General Manager in 2006.

W G Menezes

Age 63. Group General Manager and Head of Group Cards. Joined HSBC Finance Corporation in 1996. Appointed a Group General Manager in 2006.

M S McCombe

Age 42. Global Chief Executive Officer, HSBC Global Asset Management. Joined HSBC in 1987. Appointed a Group General Manager on 29 May 2008.

K Newman

Age 51. Director of One HSBC. Joined HSBC in 1989. Appointed a Group General Manager in 2006.

R C F Or

Age 59. Vice-Chairman and Chief Executive, Hang Seng Bank Limited. A Director of The Hongkong and Shanghai Banking Corporation Limited. Joined HSBC in 1972. Appointed a Group General Manager in 2000.

K Patel

Age 60. Group General Manager, Chief Executive Officer, HSBC Africa. Joined HSBC in 1984.

Appointed a Group General Manager in 2000. Chairman, Emerging Europe and Africa from 2003 to 2006. Chairman, Global Investment Bank from 2000 to 2003.

L J Peña-Kegel

Age 49. Chief Executive, HSBC Mexico S.A. Joined HSBC on 15 May 2008. Appointed a Group General Manager on 29 May 2008.

R C Picot

Age 51. Group Chief Accounting Officer. Joined HSBC in 1993. Appointed a Group General Manager in 2003.

C D Spooner

Age 58. Head of Group Financial Planning & Tax. Joined HSBC in 1994. Appointed a Group General Manager in 2007.

PT S Wong

Age 57. Executive Director, Hong Kong and Mainland China, The Hongkong and Shanghai Banking Corporation Limited. Joined HSBC in 2005. Appointed a Group General Manager in 2005.

R J L Yorke

Age 41. President and Chief Executive Officer, HSBC China. Joined HSBC in 1989. Appointed a Group General Manager on 29 May 2008.

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Board of Directors > The Board > Group Chairman and Group Chief Executive

Board of Directors

The Board

The objective of the management structures within HSBC, headed by the Board of Directors of HSBC Holdings and led by the Group Chairman, is to deliver sustainable value to shareholders. Implementation of the strategy set by the Board is delegated to the Group Management Board under the leadership of the Group Chief Executive.

HSBC Holdings has a unitary Board of Directors. The authority of each Director is exercised in Board Meetings where the Board acts collectively as a unit. At 2 March 2009, the Board comprises the Group Chairman, Group Chief Executive, four other executive Directors and 15 non-executive Directors. The names and brief biographical particulars of the Directors are listed on pages 281 to 285. The Group Chairman, Group Chief Executive and four other executive Directors are employees who carry out executive functions in HSBC in addition to their duties as Directors. Non-executive Directors are not HSBC employees and do not participate in the daily business management of HSBC. Non-executive Directors bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. The non-executive Directors have a wealth of experience across a number of industries and business sectors, including the leadership of large, complex multinational enterprises. The roles of non-executive Directors as members of Board committees are described on pages 290 to 291. It is estimated that non-executive Directors devote 24 days per annum to HSBC business after an induction phase, with Committee members devoting significant additional time.

The Board is responsible for managing the business of HSBC Holdings and, in doing so, may exercise all of the powers of HSBC Holdings, subject to any relevant laws and regulations and to the Memorandum and Articles of Association. 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 and future) of HSBC Holdings and may also exercise any of the powers conferred on it by the Companies Act 1985 and Companies Act 2006 (as appropriate) and/or by shareholders. The Board is able to delegate and confer on certain Directors holding executive office any of its powers, authorities and discretions (including the power to sub-delegate) 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 (including the power to sub-delegate) for such time and on such terms as it thinks fit. The Board may also, by power of attorney or otherwise, appoint any person or persons to be the agent of HSBC Holdings and may delegate to any such person or persons any of its powers, authorities and discretions (including the power to sub-delegate) for such time and on such terms as it thinks fit.

The Board sets the strategy for the Group and approves the operating plans presented by management for the achievement of the strategic objectives. The operating plans ensure the efficient disposition of HSBC's resources for the achievement of these objectives. The Board delegates the management and day-to-day running of HSBC to the Group Management Board but retains to itself approval of certain matters including operating plans and performance targets, procedures for monitoring and control of operations, the authority or the delegation of authority to approve 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.

The Directors who served during the year were, Lord Butler, S A Catz, V H C Cheng, J D Coombe, Baroness Dunn, J L Durán, R A Fairhead, D J Flint, A A Flockhart, W K L Fung, M F Geoghegan, S K Green, S T Gulliver, J W J Hughes-Hallett, W S H Laidlaw, J R Lomax, Sir Brian Moffat, Sir Mark Moody-Stuart, G Morgan, N R N Murthy, S W Newton, S M Robertson, J L Thornton and Sir Brian Williamson.

The Board of Directors meets regularly and Directors receive information between meetings about the activities of committees and developments in HSBC's business.

Eight Board meetings were held during 2008. The table that follows gives details of each Director's attendance at meetings of the Board, Group Audit Committee, Nomination Committee and Remuneration Committee held whilst he or she was a Director or member during 2008.

During 2008, the non-executive Directors and the Group Chairman met twice without the other executive Directors. In addition, the non-executive

Directors met once without the Group Chairman to appraise the Group Chairman's performance.

In addition to the meetings of the principal Committees referred to in the following pages,

12 other meetings of Committees of the Board (not shown in the table below) were held during the year to discharge business delegated by the Board.

All those who were Directors at the time attended the 2008 Annual General Meeting.

Attendance record

	Board meetings (8)	Group Audit Committee meetings (8)	Nomination Committee meetings (5)	Remuneration Committee meetings (7)
	Attended	Attended	Attended	Attended
Lord Butler ¹	4	—	—	—
S A Catz ²	4	2 ³	—	—
V H C Cheng ⁴	7	—	—	—
J D Coombe	8	8	—	7
Baroness Dunn ⁵	4	—	2	—
J L Durán	7	—	—	—
R A Fairhead	6	8	2 ⁶	—
D J Flint	8	8 ³	—	—
A A Flockhart ²	4	1 ³	—	—
W K L Fung	8	—	—	—
M F Geoghegan	8	4 ³	—	1 ³
S K Green	8	1 ³	5	1 ³
S T Gulliver ²	4	2 ³	—	—
J W J Hughes-Hallett	7	6	4	—
W S H Laidlaw	7	2 ³	—	3 ⁷
J R Lomax ⁸	—	—	—	—
Sir Brian Moffat ⁵	5	1 ³	2	—
Sir Mark Moody-Stuart	8	2 ³	—	7
G Morgan	8	1 ³	—	7
N R N Murthy ²	4	1 ³	—	—
S W Newton ⁹	7	6	—	—
S M Robertson	7	1 ³	4	—
J L Thornton ⁸	—	—	—	—
Sir Brian Williamson	8	1 ³	5	—

1 Retired 30 May 2008 – eligible to attend 5 Board meetings.

2 Appointed 1 May 2008 – eligible to attend 4 Board meetings.

3 Attended by invitation, for all or part of meeting.

4 Appointed 1 February 2008 – eligible to attend 7 Board meetings.

5 Retired 30 May 2008 – eligible to attend 5 Board meetings and 2 Committee meetings.

6 Appointed a member on 30 May 2008 – eligible to attend 3 Committee meetings.

7 Appointed a member on 30 May 2008 – eligible to attend 3 Committee meetings.

8 Appointed 1 December 2008 – not eligible to attend any Board meetings.

9 Retired 10 October 2008 – eligible to attend 7 Board meetings and 6 Committee meetings.

Group Chairman and Group Chief Executive

The roles of Group Chairman and Group Chief Executive are separated and held by experienced full-time Directors.

There is a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for running HSBC's business. The Group Chairman's responsibilities include the long-term strategic development of HSBC, the development of relationships with governments and other significant external parties and performance management of the Group Chief Executive. The Group Chairman also monitors the performance of the Group Finance Director and, subject to the Group Chief Executive's

recommendation, approves risk, capital allocation and capital investment decisions within authorities delegated by the Board. The Group Chief Executive has responsibility for developing business plans and delivering performance against these.

S K Green became Group Chairman at the conclusion of the Annual General Meeting in 2006 and M F Geoghegan succeeded S K Green as Group Chief Executive. The appointments were made after consulting with representatives of major institutional investors and explaining the succession planning and independent external search process undertaken. S K Green and M F Geoghegan stood for re-election at the 2006 Annual General Meeting and were both

Report of the Directors: Governance (continued)

Board of Directors > Balance and independence / Development / Performance / Appointment / Shareholder relations

re-elected ahead of taking up their new roles from the conclusion of that Meeting.

Board balance and independence of Directors

The Board includes a strong presence of both executive and non-executive Directors such that no individual or small group can dominate the Board's decision making. Following the 2009 Annual General Meeting, the Board will comprise 21 Directors, 14 of whom are independent non-executive Directors. The size of the Board is appropriate given the complexity and geographical spread of HSBC's business and the significant time demands placed on the non-executive Directors, particularly those who serve as members of Board committees.

The Board has appointed S M Robertson as the senior independent non-executive Director. The principal role of the senior independent non-executive Director is to support the Group Chairman in his role, to lead the non-executive Directors in the oversight of the Group Chairman and to ensure there is a clear division of responsibility between the Group Chairman and Group Chief Executive. The senior independent non-executive Director is also available to shareholders to express concerns which the normal channels have failed to resolve or would be inappropriate.

The Board considers all of the non-executive Directors to be independent in character and judgement. W K L Fung has served on the Board for more than nine years, however, and in that respect only, does not meet the usual criteria for independence set out in the UK Combined Code on corporate governance. The Board has therefore determined S A Catz, M K T Cheung (appointed a Director with effect from 1 February 2009), J D Coombe, J L Durán, R A Fairhead, J W J Hughes-Hallett, W S H Laidlaw, J R Lomax, Sir Mark Moody-Stuart, G Morgan, N R N Murthy, S M Robertson, J L Thornton and Sir Brian Williamson to be independent. In reaching its determination of each non-executive Director's independence the Board has concluded that there are no relationships or circumstances which are likely to affect a Director's judgement and any relationships or circumstances which could appear to do so were considered not to be material.

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 first election by shareholders as a Director of HSBC Holdings. Given the complexity and

geographical spread of HSBC's business, the experience of previous service on a subsidiary company Board can be a considerable benefit to HSBC and does not detract from a Director's independence.

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 to HSBC Holdings.

Information, induction and ongoing development

The Board regularly reviews reports on progress against financial objectives, on business developments and on investor and external relations and receives reports from the Chairmen of Board Committees and from the Group Chief Executive. The Board receives regular reports and presentations on strategy and developments in the customer groups and principal geographical areas. Regular reports are also provided to the Board, the Group Audit Committee and the Group Management Board on credit exposures and the loan portfolio, asset, liability and risk management, liquidity, litigation and compliance and reputational issues. The agenda and supporting papers are distributed in advance of all Board and 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.

The Directors have free and open contact with management at all levels. Group Managing Directors and Group General Managers meet informally with Directors after Board meetings. Board offsite visits are made each year to enable Directors to see at first hand the operations of subsidiary companies in local environments and to meet management, employees and customers. In 2008 the Board visited Dubai.

Full, formal and tailored induction programmes, with particular emphasis on internal controls, are arranged for newly appointed Directors. The programmes consist of a series of meetings with other Directors and senior executives to enable new Directors to receive information and familiarise themselves with HSBC's strategy, operations and internal controls. Prior to their appointment, each Director receives comprehensive guidance on the duties and liabilities of a Director of HSBC Holdings. Opportunities to update and develop skills and knowledge, through externally run seminars and

through briefings by senior executives, are provided to all Directors.

Performance evaluation

In November 2008, ICSA Board Evaluation Limited was commissioned to assist S K Green, Group Chairman, in conducting an evaluation of the effectiveness of the Board. This followed ICSA's evaluation of the Board in 2007. His evaluation investigated the performance of the Board as a whole and, in that context, the main Board committees and individual Directors. The evaluation examined whether eight key areas met the Board's needs and expectations: Board role and responsibilities; oversight; Board meetings; information received; support for the Board; Board composition; working together; and outcome and achievements. The report on the evaluation has been reviewed by the Board and has been used by the non-executive Directors, led by the senior independent non-executive Director, in their evaluation of the performance of the Group Chairman. The review concluded that the Board and its committees were functioning effectively. It is the intention of the Board of HSBC Holdings to continue to review its performance and that of its Directors annually.

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, but the total number of Directors shall not exceed twenty-five. Any Director so appointed by the Board shall retire at the Annual General Meeting following his or her appointment and shall be eligible for re-election but is not taken into account in determining the number of Directors who are to retire by rotation at such meeting. 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 period of office. At each Annual General Meeting, one third of the Directors who are subject to retirement by rotation are required to retire and may offer themselves for re-election by shareholders. In addition to those required to retire by rotation, any Director who was not elected or re-elected at either of the preceding two Annual General Meetings and any non-executive Director who has served in office for a continuous period of nine years or more at the date of the Annual General Meeting is required to retire and may offer him or herself for re-election by shareholders.

J L Durán and W S H Laidlaw were appointed non-executive Directors on 1 January 2008. V H C Cheng was appointed an executive Director on 1 February 2008. On 1 May 2008 A A Flockhart and S T Gulliver were appointed executive Directors and S A Catz and N R N Murthy were appointed non-executive Directors. Lord Butler, Baroness Dunn and Sir Brian Moffat retired as Directors at the conclusion of the Annual General Meeting held on 30 May 2008. S W Newton retired as a Director on 10 October 2008. J R Lomax and J L Thornton were appointed non-executive Directors on 1 December 2008. M K T Cheung was appointed a non-executive Director on 1 February 2009.

All of the Directors will retire at the forthcoming Annual General Meeting and offer themselves for re-election. None of the non-executive Directors seeking re-election has a service contract. All of the executive Directors seeking re-election are employed on rolling contracts which require 12 months' notice to be given by either party.

Following the performance evaluation of the Board, the Group Chairman has confirmed that all of the non-executive Directors continue to perform effectively and to demonstrate commitment to their roles.

Brief biographical particulars of all Directors are given on pages 281 to 285.

Relations with shareholders

The Board ensures all Directors, including non-executive Directors, develop an understanding of the views of major shareholders through attendance at analyst presentations and other meetings with institutional investors and their representative bodies. Directors also met with representatives of institutional shareholders in 2008 to discuss corporate governance matters.

All executive Directors and other senior executives hold regular meetings with institutional investors and report to the Board on those meetings.

Institutional shareholders were consulted on the framework of Directors' remuneration and the proposed changes to the HSBC Share Plan which were approved at the 2008 Annual General Meeting.

During 2008, S M Robertson, senior independent non-executive Director, Sir Mark Moody-Stuart and other non-executive Directors met and corresponded with institutional investors and their representatives to discuss strategy, remuneration policy and governance. S M Robertson, the senior independent non-executive Director is also available to shareholders

Report of the Directors: Governance (continued)

Board of Directors > Conflicts of interest / Corporate governance / NYSE practices

should they have concerns which contact through the normal channels of Group Chairman, Group Chief Executive, Group Finance Director or other executives has failed to resolve or for which such contact would be inappropriate. Invitations to meet S M Robertson prior to his appointment as senior independent non-executive Director were extended to the Group's largest shareholders. The senior independent non-executive Director may be contacted through the Group Company Secretary at 8 Canada Square, London E14 5HQ.

Conflicts of interest, indemnification of Directors, relevant audit information and contracts of significance

One of the amendments to HSBC Holdings' Articles of Association approved by shareholders at the 2008 Annual General Meeting gave the Board authority, with effect from 1 October 2008, to approve Directors' conflicts and potential conflicts of interest. The Board has adopted a policy and procedures for the approval of Director's conflicts or potential conflicts of interest. 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, including the terms of authorisation, will be undertaken annually.

The Articles of Association of HSBC Holdings provide that Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Such indemnity provisions have been in place during the financial year but have not been utilised by the Directors.

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 234ZA of the UK Companies Act 1985 and should be interpreted in accordance therewith and subject to the provisions thereof.

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 HSBC Holdings or any of its subsidiary undertakings.

Corporate governance codes

HSBC is committed to high standards of corporate governance. HSBC Holdings has complied throughout the year with the applicable code provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council and the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board of HSBC Holdings has adopted a code of conduct for transactions in HSBC Group securities by Directors that complies with The Model Code in the Listing Rules of the Financial Services Authority and with The Model Code for Securities Transactions by Directors of Listed Issuers ('Hong Kong Model Code') set out in 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 certain waivers from strict compliance with the Hong Kong Model Code, primarily to take into account accepted practices in the UK, particularly in respect of employee share plans. Following a specific enquiry, each Director has confirmed he or she has complied with the code of conduct for transactions in HSBC Group securities throughout the year.

Differences in HSBC Holdings/New York Stock Exchange corporate governance practices

Under the NYSE's corporate governance rules for listed companies and the applicable rules of the SEC, as a NYSE-listed foreign private issuer, HSBC Holdings must disclose any significant ways in which its corporate governance practices differ from those followed by US companies subject to NYSE listing standards. HSBC Holdings believes the following to be the significant differences between its corporate governance practices and NYSE corporate governance rules applicable to US companies.

US companies listed on the NYSE are required to adopt and disclose corporate governance guidelines. The Listing Rules of the UK Financial Services Authority require each listed company incorporated in the UK to include in its *Annual Report and Accounts* a narrative statement of how it has applied the principles of the Combined Code and a statement as to whether or not it has complied with the code provisions of the Combined Code throughout the accounting period covered by the *Annual Report and Accounts*. A company that has not complied with the Code provisions, or complied

with only some of the Code provisions or (in the case of provisions whose requirements are of a continuing nature) complied for only part of an accounting period covered by the report, must specify the Code provisions with which it has not complied, and (where relevant) for what part of the reporting period such non-compliance continued, and give reasons for any non-compliance. As stated above, HSBC Holdings complied throughout 2008 with the applicable code provisions of the Combined Code. The Combined Code does not require HSBC Holdings to disclose the full range of corporate governance guidelines with which it complies.

Under NYSE standards, companies are required to have a nominating/corporate governance committee, composed entirely of independent directors. In addition to identifying individuals qualified to become Board members, this committee must develop and recommend to the Board a set of corporate governance principles. HSBC's Nomination Committee complies with the Combined Code, which requires a majority of members to be independent. All four members of the Committee are independent non-executive Directors. The Committee's terms of reference do not require the Committee to develop and recommend corporate governance principles for HSBC Holdings. As stated above, HSBC Holdings is subject to the corporate governance principles of the Combined Code.

Pursuant to NYSE listing standards, non-management directors must meet on a regular basis without management present and independent directors must meet separately at least once per year. During 2008, HSBC Holdings' non-executive Directors met twice as a group with the Group Chairman, but without other executive Directors present, and met once as a group without the Group Chairman or other executive Directors present. HSBC Holdings' practice, in this regard, complies with the Combined Code.

In accordance with the requirements of the Combined Code, HSBC Holdings discloses in its annual report how the Board, its committees and the Directors are evaluated (on page 293) and it provides extensive information regarding Directors' compensation in the Directors' Remuneration Report (on pages 315 to 328). The terms of reference of HSBC Holdings' Audit, Nomination and Remuneration Committees are available at www.hsbc.com/boardcommittees.

NYSE listing standards require US companies to adopt a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or

executive officers. In addition to the Group Business Principles and Values, which apply to the employees of all HSBC companies, pursuant to the requirements of the Sarbanes-Oxley Act the Board of HSBC Holdings has adopted a Code of Ethics applicable to the Group Chairman and the Group Chief Executive, as the principal executive officers, and to the Group Finance Director and Group Chief Accounting Officer. HSBC Holdings' Code of Ethics is available on www.hsbc.com/codeofethics or from the Group Company Secretary at 8 Canada Square, London E14 5HQ. If the Board amends or waives the provisions of the Code of Ethics, details of the amendment or waiver will appear at the same website address. During 2008, HSBC Holdings made no amendments to its Code of Ethics and granted no waivers from its provisions. The Group Business Principles and Values are available on www.hsbc.com/businessprinciplesandvalues.

Under NYSE listing rules applicable to US companies, independent directors must comprise a majority of the Board of directors. Currently, two thirds of HSBC Holdings' Directors are independent.

Under the Combined Code the HSBC Holdings Board determines whether a Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. Under the NYSE rules a director cannot qualify as independent unless the board affirmatively determines that the director has no material relationship with the listed company; in addition the NYSE rules prescribe a list of circumstances in which a director cannot be independent. The Combined Code requires a company's board to assess director independence by affirmatively concluding that the director is independent of management and free from any business or other relationship that could materially interfere with the exercise of independent judgement.

Lastly, a chief executive officer of a US company listed on the NYSE must annually certify that he or she is not aware of any violation by the company of NYSE corporate governance standards. In accordance with NYSE listing rules applicable to foreign private issuers, HSBC Holdings' Group Chief Executive is not required to provide the NYSE with this annual compliance certification. However, in accordance with rules applicable to both US companies and foreign private issuers, the Group Chief Executive is required promptly to notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with the NYSE corporate governance standards applicable to HSBC Holdings.

Report of the Directors: Governance (continued)

Board of Directors > Board committees

HSBC Holdings is required to submit annual and interim written affirmations of compliance with applicable NYSE corporate governance standards, similar to the affirmations required of NYSE-listed US companies.

Board committees

The Board has appointed a number of committees consisting of certain Directors, Group Managing Directors and, in the case of the Corporate Sustainability Committee, certain co-opted non-director members. The following are the principal committees:

Group Management Board

The Group Management Board meets frequently and operates as a general management committee under the direct authority of the Board. The objective of the Group Management Board is to maintain a reporting and control structure whereby all of the line operations of HSBC are accountable to individual members of the Group Management Board who report to the Group Chief Executive who in turn reports to the Group Chairman. The Board has set objectives and measures for the Group Management Board. These will align senior executives' objectives and measures with the strategy and operating plans throughout HSBC. The members of the Group Management Board are M F Geoghegan (Chairman), V H C Cheng, D J Flint, A A Flockhart and S T Gulliver who are executive Directors, and A Almeida, E Alonso, C C R Bannister, K M Harvey, A C Hungate, D D J John, B P McDonagh, Y A Nasr, B Robertson and P A Thurston, all of whom are Group Managing Directors.

The Group Management Board exercises the powers, authorities and discretions of the Board in so far as they concern the management and day-to-day running of HSBC Holdings in accordance with such policies and directions as the Board may from time to time determine. Matters reserved for approval by the Board are described on page 290.

The Group Chief Executive reports to each meeting of the Board on the activities of the Group Management Board.

Group Audit Committee

The Group Audit Committee meets regularly with HSBC's senior financial, credit and risk, internal audit, legal and compliance management and the external auditor to consider HSBC Holdings' financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of

internal control, compliance and risk management. The members of the Group Audit Committee throughout 2008 were, R A Fairhead (Chairman), J D Coombe and J W J Hughes-Hallett. J R Lomax was appointed a member of the Committee on 1 March 2009. S W Newton retired as a Director of HSBC Holdings and ceased to be a member of the Committee on 10 October 2008. All members of the Committee are independent non-executive Directors.

The Board has determined that R A Fairhead, J D Coombe and J W J Hughes-Hallett are 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 have recent and relevant financial experience.

Appointments to the Committee are made for periods of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

Formal and tailored induction programmes are held for newly-appointed Committee members and appropriate training is provided on an ongoing and timely basis.

There were eight meetings of the Group Audit Committee during 2008. The table on page 291 gives details of Directors' attendance at these meetings. Following each meeting the Committee reports to the Board on its activities.

At each meeting, the Committee has the opportunity to meet with the external auditor, without management present, to facilitate the discussion of any matter relating to its remit and any issue arising from the audit. Similar arrangements have been adopted for the Committee to meet with the internal auditor. The Committee also has the opportunity to meet with the Group Chief Executive at each of its meetings.

The terms of reference of the Committee, which are reviewed annually, are available at www.hsbc.com/boardcommittees. To ensure consistency of scope and approach by subsidiary company audit committees, the Group Audit Committee has established core terms of reference to guide subsidiary company Boards when adopting terms of reference for their audit committees. Subsidiary company audit committees are required to provide bi-annual certificates to the Committee or to an intermediate subsidiary company audit committee, relating to the financial statements and internal control procedures of the relevant subsidiary company.

The Group Audit Committee is accountable to the Board and assists it in meeting its responsibilities

for maintaining an effective system of internal control and compliance and for meeting its external financial reporting obligations. The Committee undertakes an annual review of the effectiveness of HSBC's system of internal control, which is described on page 299, and reviews the Company's financial statements before they are considered by the Board.

Regular reports are received on the risks involved in HSBC's business and how they are controlled and monitored by management which enable the Committee to review the effectiveness of HSBC's risk management framework. Each year the Committee agrees a schedule of presentations to be made to it by management during the ensuing year on the operation of the risk control framework within the Group. The presentations specifically address risk indicators and performance measures such as indicators of credit, liquidity and interest rate risk. During 2008 the Committee received frequent presentations on global market risk and liquidity and reports on the US mortgage services business, credit performance in the US and the impact of the tightening of liquidity in the money markets. Comprehensive reports are received at each regular meeting from the Group Chief Risk Officer, the Head of Group Compliance, the Group General Manager, Legal and Compliance and the Group General Manager Internal Audit. Periodic presentations are made by other function heads and line management.

The reports from the Group General Manager Internal Audit include information on frauds and special investigations and weakness in internal controls identified through internal audit reports or reviews of regulatory reports and external auditors' reports. The Committee monitors and reviews the effectiveness of the internal audit function and receives summaries of periodic peer reviews of HSBC's principal internal audit functions. HSBC has adopted the Principles of the International Institute of Internal Auditors, which include a periodic external quality assurance review of the internal audit function. The first such review, undertaken by Independent Audit Limited, was presented to the Committee in 2008.

The Committee receives regular updates on changes in law, regulations and accounting standards and practices and the preparations being made to respond to those requirements. During 2008, the Committee received regular updates on the review of internal financial reporting controls required by section 404 of the Sarbanes-Oxley Act and the implementation of the Basel II capital adequacy requirements.

The Committee has approved procedures for the receipt, retention and handling of complaints regarding accounting, internal accounting controls and auditing matters. The Committee receives regular reports regarding the nature, investigation and resolution of material complaints and concerns from the Head of Group Compliance.

The Committee is directly responsible on behalf of the Board for the selection, oversight and remuneration of the external auditor. The Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.

The Committee reviews the strategy and approves the terms for the engagement of the external auditor for the audit of the Annual Report and Accounts. Regular reports on the progress of the audit facilitate the Committee's assessment of the effectiveness of the audit.

The Committee receives reports from the external auditor on its own policies and procedures regarding independence and quality control and oversees the appropriate rotation of audit partners within the external auditor. The external auditor provides the Committee with an annual confirmation of its independence in accordance with industry standards.

On the recommendation of the Committee the Board has approved a policy for the employment by HSBC of former employees of the external auditor or its affiliates. The Committee monitors this policy through the receipt of an annual report of those former employees of the external auditor employed by HSBC and the number of former employees of the external auditor currently employed in senior positions in HSBC. The reports enable the Committee to consider whether there has been any impairment, or appearance of impairment, of the auditor's judgement or independence in respect of the audit.

The Group Audit Committee has established policies for the pre-approval of specific services that may be provided by the principal auditor, KPMG Audit Plc and its affiliates ('KPMG'). These policies are kept under review and amended as necessary to meet the dual objectives of ensuring that HSBC benefits in a cost effective manner from the cumulative knowledge and experience of its auditor, while also ensuring that the auditor maintains the necessary degree of independence and objectivity. These pre-approval policies apply to all services where HSBC Holdings or any of its subsidiaries pays for the service, or is a beneficiary or addressee of the

Report of the Directors: Governance (continued)

Board of Directors > Board committees / Internal control

service and has selected or influenced the choice of KPMG. All services entered into with KPMG during 2008 were pre-approved by the Committee or were entered into under pre-approval policies established by the Committee. A quarterly update on non-audit services provided by KPMG is presented to the Committee by management.

The pre-approved services relate to regulatory reviews, agreed-upon procedures reports, other types of attestation reports, the provision of advice and other non-audit services allowed under SEC independence rules. They fall into the categories of audit services, audit-related services, tax services and other services.

An analysis of the remuneration paid in respect of audit and non-audit services provided by KPMG for each of the last three years is disclosed in Note 9 on the Financial Statements.

The Committee has recommended to the Board that KPMG Audit Plc be reappointed auditor at the forthcoming Annual General Meeting.

Remuneration Committee

The role of the Remuneration Committee and its membership are set out in the Directors' Remuneration Report on page 315.

Nomination Committee

The Nomination Committee is responsible for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. Before recommending an appointment to the Board, the Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this, identifies the role and capabilities required for a particular appointment. Candidates are considered on merit against these criteria. Care is taken to ensure that appointees have enough time to devote to HSBC. Prospective Directors are asked to identify any significant other commitments and confirm they have sufficient time to discharge what is expected of them. In accordance with the Articles of Association all Directors are subject to election by shareholders at the Annual General Meeting following their appointment by the Board and to re-election at least every three years. The members of the Nomination Committee throughout 2008 were Sir Brian Williamson (Chairman), S M Robertson and J W J Hughes-Hallett. R A Fairhead was appointed a member of the Committee on 30 May 2008. Baroness Dunn and Sir Brian Moffat retired as Directors of HSBC Holdings and ceased to be members of the Committee on 30 May 2008. All

current members of the Committee are independent non-executive Directors.

There were five meetings of the Nomination Committee during 2008. The table on page 291 gives details of Directors' attendance at these meetings.

Following each meeting the Committee reports to the Board on its activities.

The terms of reference of the Committee are available at www.hsbc.com/boardcommittees.

The appointments of S A Catz, M K T Cheung, J R Lomax, N R N Murthy and J L Thornton as non-executive Directors and V H C Cheng, A A Flockhart and S T Gulliver as executive Directors were made on the advice and recommendation of the Nomination Committee. An external consultancy was used in connection with the appointments of S A Catz, M K T Cheung, J R Lomax, N R N Murthy and J L Thornton.

The terms and conditions of appointment of non-executive Directors are available for inspection at 8 Canada Square, London E14 5HQ and will be made available for 15 minutes before the Annual General Meeting and during the Meeting itself.

The Committee makes recommendations to the Board concerning: plans for succession for both executive and non-executive Directors; the appointment of any Director to executive or other office; suitable candidates for the role of senior independent non-executive Director; the re-election by shareholders of Directors retiring by rotation; the renewal of the terms of office of non-executive Directors; membership of Board Committees, in consultation with the Group Chairman and the chairman of such committees as appropriate; any matters relating to the continuation in office of any Director at any time; and appointments and re-appointments to the boards of directors of major subsidiary companies as appropriate.

The Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience required) of the Board and makes recommendations to the Board as appropriate. It keeps under review the leadership needs of HSBC, with a view to ensuring the continued ability of HSBC to compete effectively in the marketplace. The Board has satisfied itself that the Nomination Committee has in place appropriate plans for orderly succession to the Board and senior management positions as well as procedures to ensure an appropriate balance of skills and experience within HSBC and on the Board.

Corporate Sustainability Committee

The role of the Corporate Sustainability Committee and its membership are set out on page 312.

Internal control

The Directors are responsible for internal control in HSBC and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The procedures also enable HSBC Holdings to discharge its obligations under the Handbook of Rules and Guidance issued by the Financial Services Authority, HSBC's lead regulator.

The key procedures that the Directors have established are designed to provide effective internal control within HSBC and accord with the Internal Control: Revised Guidance for Directors on the Combined Code issued by the Financial Reporting Council. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by HSBC have been in place throughout the year and up to 2 March 2009, the date of approval of the *Annual Report and Accounts 2008*. In the case of companies acquired during the year, the internal controls in place are being reviewed against HSBC's benchmarks and integrated into HSBC's processes.

HSBC's key internal control procedures include the following:

- Authority to operate the various subsidiaries and responsibilities for financial performance against plans and for capital expenditure are delegated to their respective chief executive officers within limits set by the Board of Directors of HSBC Holdings. Delegation of authority from the Board to individuals requires those individuals to maintain a clear and appropriate apportionment of significant responsibilities and to oversee the establishment and maintenance of systems of control appropriate to the business. The appointment of executives to the most senior positions within HSBC requires the approval of the Board of Directors of HSBC Holdings.
- Functional, operating, financial reporting and certain management reporting standards are

established by Group Management Office management committees, for application across the whole of HSBC. These are supplemented by operating standards set by functional and local management as required for the type of business and geographical location of each subsidiary.

- Systems and procedures are in place in HSBC to identify, control and report on the major risks including credit, changes in the market prices of financial instruments, liquidity, operational error, breaches of law or regulations, unauthorised activities, information risk, security and fraud. Exposure to these risks is monitored by risk management committees, asset and liability committees and executive committees in subsidiaries and, for HSBC as a whole, by the Group Management Board. A risk management meeting of the Group Management Board, chaired by the Group Finance Director, is held monthly to address asset, liability and risk management issues, its minutes are submitted to the Group Audit Committee and to the Board of Directors. The Group Operational Risk and Control Committee reviews the implementation of HSBC's management framework for operational risk and internal control.
- A Disclosure Committee has been established to review material disclosures made by HSBC Holdings for any errors, misstatements or omissions. The membership of the Disclosure Committee, which is chaired by the Group Company Secretary, includes the heads of the Finance, Legal, Risk, Compliance, Corporate Communications, Investor Relations and Internal Audit functions and representatives from the principal regions, customer groups and global businesses.
- Processes are in place to identify new risks from changes in market conditions and practices or customer behaviours which could expose HSBC to heightened risk of loss or reputational damage. During 2008, attention was directed towards managing the impact on the Group of market volatilities and illiquidity; continued deterioration in the US personal financial services markets; Group exposure to various parts of the financial sector e.g. asset backed securities including mortgage-backed securities and collateralised debt obligations, monoline insurers, leveraged finance and money market funds; and the impact of government interventions to address the under-capitalisation and funding difficulties of certain financial institutions.

Report of the Directors: Governance (continued)

Board of Directors > Internal control / Directors' interests

- Periodic strategic plans are prepared for key customer groups, global product groups, support functions and certain geographies within the framework of the Group Strategic Roadmap. Rolling operating plans, informed by detailed analysis of risk appetite, 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.
 - Governance and oversight arrangements are in place to ensure that risk analytical models are fit for purpose, used accordingly and complemented by a variety of model-specific and enterprise-wide stress tests that evaluate the impact of severe yet plausible events and other unusual circumstances not fully captured by quantitative models.
 - Centralised functional control is exercised over all computer system developments and operations. Common systems are employed for similar business processes wherever practicable. Credit and market risks are measured and reported on in subsidiaries and aggregated for review of risk concentrations on a Group-wide basis.
 - Functional management in Group Management Office is responsible for setting policies, procedures and standards in the following areas of risk: credit; market; liquidity; operational; IT; fraud; business continuity; security; information; insurance; accounting; tax; legal and regulatory compliance; fiduciary; human resources; reputational; sustainability and purchasing. Authorities to enter into credit and market risk exposures are delegated with limits to line management of Group companies. The concurrence of Group Management Office is required, however, to credit proposals with specified high risk characteristics.
 - Policies to guide subsidiary companies and management at all levels in the conduct of business to safeguard the Group's reputation are established by the Board of HSBC Holdings and the Group Management Board, subsidiary company boards, board committees or senior management. Reputational risks can arise from environmental, social or governance issues, or as a consequence of operational risk events. As a banking group, HSBC's good reputation depends upon the way in which it conducts its business but it can also be affected by the way in which clients, to which it provides financial services, conduct their business.
 - The establishment and maintenance of appropriate systems of internal control is primarily the responsibility of business management. The internal audit function, which is centrally controlled, monitors the effectiveness of internal control structures across the whole of HSBC focussing on the areas of greatest risk to HSBC as determined using a risk-based approach. The head of this function reports to the Group Chairman and the Group Audit Committee.
 - Management is responsible for ensuring that recommendations made by the internal audit function are implemented within an appropriate and agreed timetable. Confirmation to this effect must be provided to internal audit. Management must also confirm annually to internal audit that offices under their control have taken or are in the process of taking the appropriate actions to deal with all significant recommendations made by external auditors in management letters or by regulators following regulatory inspections.
- The Group Audit Committee has kept under review the effectiveness of this system of internal control and has reported regularly to the Board of Directors. The key processes used by the Committee in carrying out its reviews include: regular business and operational risk assessments; regular reports from the heads of key risk functions including Internal Audit and Compliance; the production annually of reviews of the internal control framework applied at Group Management Office and major operating subsidiary level measured against HSBC benchmarks, which cover all internal controls, both financial and non-financial; semi-annual confirmations from chief executives of principal subsidiary companies as to whether 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 Group Audit Committee has reviewed a 'Risk Map' of the status of key risk areas which impact the Group and has considered the mitigating actions put in place. In addition, where unexpected losses have arisen or where incidents have occurred which indicate gaps in the control framework or in adherence to Group policies, the Group Audit Committee has reviewed 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.
- The Directors, through the Group Audit Committee, have conducted an annual review of the effectiveness of HSBC's system of internal control

covering all material controls, including financial, operational and compliance controls and risk management systems. The Group Audit Committee has received confirmation that management has taken or is taking the necessary action to remedy any failings or weaknesses identified through the operation of HSBC's framework of controls.

Directors' interests

HSBC Holdings ordinary shares of US\$0.50

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 2008 had the following interests, all beneficial unless otherwise stated, in the shares and loan capital of HSBC and its associated corporations:

		At 31 December 2008					
	At 1 January 2008 or date appointed if later	Beneficial owner	Child under 18 or spouse	Controlled corporation	Jointly with another person	Trustee	Total interests ¹
V H C Cheng	241,469 ²	177,630	123,160	—	—	—	300,790
J D Coombe	46,327	13,250	—	—	—	—	13,250
D J Flint	112,781	88,456	—	—	—	31,000 ³	119,456
A A Flockhart	164,930 ²	172,583	—	—	—	—	172,583
W K L Fung	328,000	208,000	—	120,000	—	—	328,000
M F Geoghegan	385,189	477,434	—	—	—	—	477,434
S K Green	536,652	622,066	—	—	45,355	—	667,421
S T Gulliver	2,235,431 ²	2,194,407	85,454	—	—	—	2,279,861
J W J Hughes-Hallett	554,435	—	—	—	—	376,427 ⁴	376,427
W S H Laidlaw	24,500	20,693	—	—	—	1,000 ⁴	21,693
Sir Mark Moody-Stuart	10,840	5,000	840	—	—	5,000 ⁴	10,840
G Morgan	50,000	52,873	—	—	—	—	52,873
S M Robertson	98,317	5,620	—	—	—	93,000 ⁴	98,620
Sir Brian Williamson	23,164	24,496	—	—	—	—	24,496

1 Details of executive Directors' other interests in HSBC Holdings ordinary shares of US\$0.50 arising from the HSBC Holdings savings-related share option plans, and the HSBC Share Plan are set out in the Directors' Remuneration Report on pages 314 to 328. At 31 December 2008, the aggregate interests under the Securities and Futures Ordinance of Hong Kong of V H C Cheng, D J Flint, A A Flockhart, M F Geoghegan, S K Green and S T Gulliver in HSBC Holdings ordinary shares of US\$0.50, including interests arising through employee share plans were: V H C Cheng – 791,228; D J Flint – 955,242; A A Flockhart – 558,559; M F Geoghegan – 2,211,264; S K Green – 2,456,279 and S T Gulliver – 3,536,102. Each Director's total interests represents less than 0.033 per cent of the shares in issue.

2 V H C Cheng was appointed a Director on 1 February 2008 and A A Flockhart and S T Gulliver were appointed Directors on 1 May 2008.

3 Non-beneficial interest in 10,334 HSBC Holdings ordinary shares of US\$0.50.

4 Non-beneficial.

M F Geoghegan has an interest as beneficial owner in 280,000 ordinary shares of HK\$5.00 each in Hang Seng Bank (representing less than 0.02 per cent of the shares in issue), which he held throughout the year.

S K Green has an interest as beneficial owner in €75,000 of HSBC Holdings plc 5½ per cent Subordinated Notes 2009, which he held throughout the year.

As Directors of HSBC France, S K Green and S T Gulliver each have an interest as beneficial owner in one share of €5 in that company (representing less than 0.01 per cent of the shares in issue). S K Green has held this interest throughout

the year. S T Gulliver has held this interest since 1 January 2009. The Directors have waived their rights to receive dividends on these shares and have undertaken to transfer these shares to HSBC on ceasing to be Directors of HSBC France.

As Directors of HSBC Private Banking Holdings (Suisse), S K Green and S T Gulliver each have an interest as beneficial owner in one share of CHF1,000 in that company (representing less than 0.01 per cent of the shares in issue), which they held throughout the year. The Directors have waived their rights to receive dividends on these shares and have undertaken to transfer these shares to HSBC on ceasing to be Directors of HSBC Private Banking Holdings (Suisse).

Report of the Directors: Governance (continued)

Board of Directors > Directors' interests // Employees > Involvement / Disabled / Remuneration policy

No Directors held any short position as defined in the Securities and Futures Ordinance of Hong Kong in the shares and loan capital of HSBC and its associated corporations. Save as stated above, none of the Directors had an interest in any shares or debentures of HSBC or any associated corporation at the beginning or at the end of the year, and none of

the Directors or members of their immediate families were awarded or exercised any right to subscribe for any shares or debentures in any HSBC corporation during the year. Since the end of the year, the interests of each of the following Directors have increased by the number of HSBC Holdings ordinary shares shown against their name:

Increase in Directors' interests since 31 December 2008
HSBC Holdings ordinary shares of US\$0.50

	Beneficial owner	Child under 18 or spouse	Controlled corporation	Trustee	Beneficiary of a trust ¹
V H C Cheng	3,274 ²	2,270 ²	—	—	9,041
J D Coombe	245 ²	—	—	—	—
D J Flint	1,696 ³	—	—	571 ²	15,367
A A Flockhart	3,180 ²	—	—	—	7,092
M F Geoghegan	4,410 ²	—	—	—	31,966
S K Green	11,147 ⁴	—	—	—	32,981
S T Gulliver	—	8 ²	—	—	23,161
G Morgan	974 ²	—	—	—	—
S M Robertson	103 ²	—	—	—	—
Sir Brian Williamson	453 ²	—	—	—	—

1 *Scrip dividend on awards held under the HSBC Share Plan.*

2 *Scrip dividend.*

3 *Comprises scrip dividend on shares held as beneficial owner (1,502 shares), the automatic reinvestment of dividend income by an Individual Savings Account or Personal Equity Plan manager (114 shares), the acquisition of shares in the HSBC Holdings UK Share Ownership Plan through regular monthly contributions (49 shares) and the automatic reinvestment of dividend income on shares held in the plan (31 shares).*

4 *Comprises scrip dividend on shares held as beneficial owner (11,067 shares), the acquisition of shares in the HSBC Holdings UK Share Ownership Plan through regular monthly contributions (49 shares) and the automatic reinvestment of dividend income on shares held in the plan (31 shares).*

Since the end of the year, the non-beneficial interests of J W J Hughes-Hallett as Trustee of two Trusts have decreased by 102,948 HSBC Holdings ordinary shares.

There have been no other changes in the share and loan capital interests of the Directors from 31 December 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 2008, Directors and Senior Management held, in aggregate, beneficial interests

in 16,469,373 HSBC Holdings ordinary shares (0.14 per cent of the issued ordinary shares).

At 31 December 2008, executive Directors and Senior Management held, in aggregate, options to subscribe for 937,862 HSBC Holdings ordinary shares under the HSBC Holdings Executive Share Option Scheme, HSBC Holdings savings-related share option plans, HSBC Holdings Group Share Option Plan and HSBC Finance: 1996 Long-Term Executive Incentive Compensation Plan. These options are exercisable between 2009 and 2015 at prices ranging from £5.3496 to £7.8710 and US\$10.66 to US\$21.37 per share.

Employees

At 31 December 2008, HSBC employed 325,000 full and part-time employees worldwide, compared with 330,000 at 31 December 2007 and 312,000 at 31 December 2006. The main centres of employment are the UK with approximately 58,000 employees; the US 38,000, India 37,000, Hong Kong 30,000, Brazil 25,000, Mexico 20,000, mainland China 15,000 and France 11,000. HSBC negotiates with recognised unions. The five highest concentrations of union membership are in Argentina, Brazil, mainland China, Malta and Mexico. It is HSBC's policy to maintain well-developed communications and consultation programmes with unions and there have been no material disruptions to its operations from labour disputes during the past five years.

The first Group People Strategy was in place for 2008. This prioritised leadership and people capability in general, robust performance management complementing a market competitive reward strategy, and improving employee engagement. Particular emphasis was given in 2008 to increasing international mobility to broaden the internationalism and diversity of employee experience, and training was focused on risk awareness, change management, customer orientation and performance. There was significant improvement in employee engagement (see non-financial KPIs in page 19) and a key component of performance management was aligned objectives which were cascaded down from the Group Management Board level for the first time.

HSBC continues to be committed to creating a diverse and inclusive work environment reflective of its customer base, international workforce, and communities in which it operates. It has a Group-wide strategy, with Group oversight, that aims to improve gender, ethnicity and age diversity to ensure the long-term sustainability of the organisation, taking into account strategic global demographic changes. There is a particular focus on increasing gender and ethnic diversity at senior management levels. Diversity initiatives are implemented at a country level taking local and national laws into account. Employee network groups and mentoring programmes are promoted and established, where possible, to facilitate open discussion of workplace issues for employees belonging to minority groups, and to foster an environment that celebrates diversity.

Employee involvement

HSBC continues to value open communication with its employees. Employees are encouraged to discuss

operational and strategic issues, and ways of improving performance with their line manager. Open communication throughout the organisation is encouraged and opportunities to share individual perspectives are created through networking events, management blogs, international assignments and learning and development programmes. Information is regularly given to employees about employment matters and the financial and economic factors affecting HSBC's performance. This is communicated via management channels, internal seminars, training programmes, in-house magazines and an intranet site accessible to the majority of HSBC's employees worldwide. The Group's Global People Survey in turn annually assesses employee engagement with HSBC.

Employment of disabled persons

HSBC believes in providing equal opportunities to 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 employment, every effort is made to continue their employment and, if necessary, appropriate training is provided.

Remuneration policy

As the quality and commitment of its human capital is deemed fundamental to HSBC's success, the Board's stated strategy is to attract, retain and motivate the very best people; this strategy is referenced to the overall business strategy and the commercial environment.

In a business that is based on trust and relationships, HSBC's broad policy is to recruit those who are committed to making a long-term career with the organisation since trust and relationships are built over time.

Remuneration is an important component in people's decisions on which company to join and to stay with, but it is not the overriding one. It is HSBC's experience that people are attracted to an organisation with strong and sound values, one which is meritocratic and competitive, and which offers challenging career development; it is also this type of people that HSBC seeks to attract.

In line with the overall principles applied to executive Directors by the Remuneration Committee as described on page 315 in the Directors' Remuneration Report:

- employees' salaries are reviewed annually in the

Report of the Directors: Governance (continued)

Employees > Share plans

context of business performance, market practice and internal relativities. Allowances and benefits are largely determined by local market practice;

- employees participate in various variable pay arrangements. Discretionary variable pay is dependent on the achievement of objectives which derive from those determined at the Group level. Since 2008, these objectives typically cover four categories – Financial, Customer, Process and People. Targets which measure these objectives generally include profitability, expense control, customer recommendation, employee engagement, adherence to HSBC's ethical standards, lending guidelines, internal controls and procedures, with an emphasis on risk management to maintain a strong and secure operating platform. Actual levels of pay will depend on the performance of the Group, that of constituent businesses, and of the individual, taking into account competitive market practice.
- to ensure that the interests of HSBC and its employees are aligned with those of its shareholders, and that HSBC's approach to risk management supports the interests of all stakeholders, a proportion of variable pay awards above certain thresholds is required to be deferred into HSBC Restricted Shares. In addition, employees are encouraged to participate in HSBC Holdings savings-related share option plans and local share ownership arrangements.

Employee share plans

To help align the interests of employees with those of shareholders, share options are granted under all-employee share plans and discretionary awards of Performance Shares and Restricted Shares are made under the HSBC Share Plan. There have been no awards of discretionary share options since 30 September 2005.

Set out on pages 304 to 311 are particulars of outstanding employee share 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, suppliers of goods or services, or in excess of the individual limit for each share plan. No options were cancelled by HSBC during the year.

Employee share plans are subject to the

following limits on the number of HSBC Holdings ordinary shares that may be subscribed for. In any 10-year period not more than 10 per cent of the HSBC Holdings ordinary shares in issue from time to time (approximately 1,214 million HSBC Holdings ordinary shares at 2 March 2009) may in aggregate become issuable pursuant to the grant of options or be issued other than pursuant to options under all-employee share plans. In any 10-year period not more than 5 per cent of the HSBC Holdings ordinary shares in issue from time to time (approximately 607 million HSBC Holdings ordinary shares on 2 March 2009) may in aggregate be put under option under the HSBC Share Plan or be issuable pursuant to the HSBC Holdings Group Share Option Plan, the HSBC Executive Share Option Scheme, the HSBC Holdings Restricted Share Plan 2000 or the HSBC Share Plan. The number of HSBC Holdings ordinary shares that may be issued on exercise of all options granted on or after 27 May 2005 under the HSBC Share Plan and any other plans must not exceed 1,119,000,000 HSBC Holdings ordinary shares. Under the HSBC Holdings savings-related share option plans, the HSBC Share Plan, HSBC Holdings Group Share Option Plan and the HSBC Holdings Executive Share Option Scheme there were options outstanding over 231,257,004 HSBC Holdings ordinary shares at 31 December 2008. Particulars of options over HSBC Holdings shares held by Directors of HSBC Holdings are set out on page 326 of the Directors' Remuneration Report.

The effect on earnings per share of granting share options and share awards is shown in diluted earnings per share on the face of the consolidated income statement, with further details disclosed in the Earnings per share Note 13 on the Financial Statements. The effect on basic earnings per share of dilutive share options and share awards would be to dilute it by 1.2 per cent.

All-employee share option plans

The HSBC Holdings Savings-Related Share Option Plan and the HSBC Holdings Savings-Related Share Option Plan: International are all-employee share plans under which eligible HSBC employees (those employed within the Group on the first working day of the year of grant) may be granted options to acquire HSBC Holdings ordinary shares. Employees may make contributions of up to £250 (or equivalent) each month over a period of one, three or five years which may be used on the first, third or fifth anniversary of the commencement of the relevant savings contract, at the employee's election, to exercise the options. Alternatively, the employee

may elect to have the savings, plus (where applicable) any interest or bonus, repaid in cash. Options granted over a one-year period will be exercisable within three months following the first anniversary of the commencement of the savings contract. Options granted over three or five-year periods will be exercisable within six months following the third or fifth anniversary of the commencement of the relevant savings contract. In the case of redundancy, retirement on grounds of injury or ill health, retirement at or after normal retirement age, the transfer of the employing business to another party, or a change of control of the employing company, options may be exercised before completion of the relevant savings contract.

Under the HSBC Holdings Savings-Related Share Option Plan and the HSBC Holdings Savings-Related Share Option Plan: International the option exercise price is determined by reference to the average market value of the ordinary shares on the five business days immediately preceding the invitation date, then applying a discount of 20 per cent (except for the one-year options awarded under the US sub-plan where a 15 per cent discount is applied). The exercise period of the options awarded under all-employee share plans may be advanced to an earlier date in certain circumstances,

for example on retirement, and may be extended in certain circumstances, for example on the death of a participant, the executors may exercise the option up to six months beyond the normal exercise period. The closing price per HSBC Holdings ordinary share on 29 April 2008, the day before options were awarded in 2008 under the HSBC Holdings Savings-Related Share Option Plan and the HSBC Holdings Savings-Related Share Option Plan: International, was £8.71. The all-employee share option plans will terminate on 27 May 2015 unless the Directors resolve to terminate the plans at an earlier date.

To encourage greater participation in the HSBC Holdings Savings-Related Share Option Plan: International, two amendments were approved at the 2005 Annual General Meeting. The first was the introduction of the facility to save and have option prices expressed in US dollars, Hong Kong dollars and euros as well as in pounds sterling. Where applicable, the US dollars, Hong Kong dollars and euro exercise prices are converted from the sterling exercise price at the applicable exchange rate on the working day preceding the relevant invitation date. The second amendment was to provide the choice of options over one year in addition to three and five year terms.

HSBC Holdings Savings-Related Share Option Plan
HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (£)	Exercisable from	Exercisable until	Options at 1 January 2008	Options awarded during year	Options exercised during year ¹	Options lapsed during year	Options at 31 December 2008
2 May 2002	6.3224	1 Aug 2007	31 Jan 2008	86,920	–	63,438	23,482	–
23 Apr 2003	5.3496	1 Aug 2008	31 Jan 2009	10,402,796	–	9,900,129	131,349	371,318
21 Apr 2004	6.4720	1 Aug 2007	31 Jan 2008	132,967	–	90,953	42,014	–
21 Apr 2004	6.4720	1 Aug 2009	31 Jan 2010	4,941,092	–	65,740	227,458	4,647,894
24 May 2005	6.6792	1 Aug 2008	31 Jan 2009	3,522,870	–	3,190,140	132,372	200,358
24 May 2005	6.6792	1 Aug 2010	31 Jan 2011	4,938,431	–	49,280	338,748	4,550,403
26 Apr 2006	7.6736	1 Aug 2009	31 Jan 2010	3,817,398	–	30,546	627,424	3,159,428
26 Apr 2006	7.6736	1 Aug 2011	31 Jan 2012	3,062,172	–	14,045	411,234	2,636,893
25 Apr 2007	7.0872	1 Aug 2010	31 Jan 2011	5,767,372	–	20,411	1,041,305	4,705,656
25 Apr 2007	7.0872	1 Aug 2012	31 Jan 2013	4,075,471	–	6,641	513,887	3,554,943
30 Apr 2008	6.8160	1 Aug 2011	31 Jan 2012	–	7,169,605	843	435,469	6,733,293
30 Apr 2008	6.8160	1 Aug 2013	31 Jan 2014	–	6,142,429	277	194,292	5,947,860

¹ The weighted average closing price of the shares immediately before the dates on which options were exercised was £8.38.

Report of the Directors: Governance (continued)*Employees > Share plans**HSBC Holdings Savings-Related Share Option Plan: International*
HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price	Exercisable from	Exercisable until	Options at 1 January 2008	Options awarded during year	Options exercised during year ¹	Options lapsed during year	Options at 31 December 2008
	(£)							
2 May 2002	6.3224	1 Aug 2007	31 Jan 2008	39,172	–	11,080	28,092	–
23 Apr 2003	5.3496	1 Aug 2008	31 Jan 2009	10,488	–	2,622	7,866	–
8 May 2003	5.3496	1 Aug 2008	31 Jan 2009	5,068,502	–	4,450,550	237,932	380,020
21 Apr 2004	6.4720	1 Aug 2007	31 Jan 2008	31,145	–	–	31,145	–
21 Apr 2004	6.4720	1 Aug 2009	31 Jan 2010	12,365	–	–	4,909	7,456
10 May 2004	6.4720	1 Aug 2007	31 Jan 2008	250,528	–	115,753	134,775	–
10 May 2004	6.4720	1 Aug 2009	31 Jan 2010	2,554,187	–	55,289	217,035	2,281,863
24 May 2005	6.6792	1 Aug 2008	31 Jan 2009	9,435,222	–	8,155,187	658,711	621,324
24 May 2005	6.6792	1 Aug 2010	31 Jan 2011	3,403,578	–	45,044	554,261	2,804,273
26 Apr 2006	7.6736	1 Aug 2007	31 Oct 2007	31,658	–	–	31,658	–
26 Apr 2006	7.6736	1 Aug 2009	31 Jan 2010	1,804,327	–	4,016	274,736	1,525,575
26 Apr 2006	7.6736	1 Aug 2011	31 Jan 2012	406,743	–	423	82,646	323,674
25 Apr 2007	7.0872	1 Aug 2008	31 Oct 2008	1,543,966	–	1,214,997	328,705	264
25 Apr 2007	7.0872	1 Aug 2010	31 Jan 2011	3,436,093	–	2,620	616,589	2,816,884
25 Apr 2007	7.0872	1 Aug 2012	31 Jan 2013	975,763	–	885	201,033	773,845
30 Apr 2008	6.8160	1 Aug 2009	31 Oct 2009	–	1,988,482	267	148,344	1,839,871
30 Apr 2008	6.8160	1 Aug 2011	31 Jan 2012	–	3,467,432	–	175,661	3,291,771
30 Apr 2008	6.8160	1 Aug 2013	31 Jan 2014	–	1,253,627	–	58,051	1,195,576
	(US\$)							
26 Apr 2006	13.3290	1 Aug 2007	31 Oct 2007	5,273	–	–	5,273	–
26 Apr 2006	13.3290	1 Aug 2009	31 Jan 2010	1,475,871	–	24,208	303,234	1,148,429
26 Apr 2006	13.3290	1 Aug 2011	31 Jan 2012	385,965	–	4,700	75,912	305,353
25 Apr 2007	14.7478 ²	1 Aug 2008	31 Oct 2008	671,449	–	513,054	158,395	–
25 Apr 2007	13.8803	1 Aug 2008	31 Oct 2008	337,780	–	251,207	86,573	–
25 Apr 2007	13.8803	1 Aug 2010	31 Jan 2011	2,687,923	–	10,926	632,354	2,044,643
25 Apr 2007	13.8803	1 Aug 2012	31 Jan 2013	760,659	–	1,496	168,994	590,169
30 Apr 2008	14.4876 ²	1 Aug 2009	31 Oct 2009	–	615,822	–	66,288	549,534
30 Apr 2008	13.6354	1 Aug 2009	31 Oct 2009	–	425,697	–	26,231	399,466
30 Apr 2008	13.6354	1 Aug 2011	31 Jan 2012	–	1,979,660	294	142,021	1,837,345
30 Apr 2008	13.6354	1 Aug 2013	31 Jan 2014	–	537,563	–	30,357	507,206
	(€)							
26 Apr 2006	11.0062	1 Aug 2007	31 Oct 2007	847	–	–	847	–
26 Apr 2006	11.0062	1 Aug 2009	31 Jan 2010	176,800	–	–	52,429	124,371
26 Apr 2006	11.0062	1 Aug 2011	31 Jan 2012	35,495	–	–	13,664	21,831
25 Apr 2007	10.4217	1 Aug 2008	31 Oct 2008	122,632	–	46,698	75,934	–
25 Apr 2007	10.4217	1 Aug 2010	31 Jan 2011	361,842	–	–	107,360	254,482
25 Apr 2007	10.4217	1 Aug 2012	31 Jan 2013	125,856	–	–	51,047	74,809
30 Apr 2008	8.6720	1 Aug 2009	31 Oct 2009	–	163,223	–	13,900	149,323
30 Apr 2008	8.6720	1 Aug 2011	31 Jan 2012	–	501,343	–	18,873	482,470
30 Apr 2008	8.6720	1 Aug 2013	31 Jan 2014	–	209,331	–	12,498	196,833
	(HK\$)							
26 Apr 2006	103.4401	1 Aug 2007	31 Oct 2007	1,961	–	–	1,961	–
26 Apr 2006	103.4401	1 Aug 2009	31 Jan 2010	3,891,154	–	10,582	1,569,459	2,311,113
26 Apr 2006	103.4401	1 Aug 2011	31 Jan 2012	1,024,842	–	7,221	443,256	574,365
25 Apr 2007	108.4483	1 Aug 2008	31 Oct 2008	2,108,126	–	1,747,467	360,659	–
25 Apr 2007	108.4483	1 Aug 2010	31 Jan 2011	4,481,255	–	12,548	2,100,755	2,367,952
25 Apr 2007	108.4483	1 Aug 2012	31 Jan 2013	1,332,074	–	4,137	651,814	676,123
30 Apr 2008	106.2478	1 Aug 2009	31 Oct 2009	–	2,941,862	–	1,243,237	1,698,625
30 Apr 2008	106.2478	1 Aug 2011	31 Jan 2012	–	4,174,635	412	1,417,928	2,756,295
30 Apr 2008	106.2478	1 Aug 2013	31 Jan 2014	–	1,380,594	–	420,900	959,694

1 The weighted average closing price of the shares immediately before the dates on which options were exercised was £8.32.

2 Exercisable at a 15 per cent discount to the average market value of the ordinary shares on the five business days immediately preceding the invitation date.

Discretionary Share Plans

Note 10 on the Financial Statements gives detail on share-based payments, including awards of Performance Shares and Restricted Shares made in 2008.

The HSBC Share Plan was approved at the 2005 Annual General Meeting. Awards of Performance Shares are made under this Plan to executive Directors and other senior executives. The performance conditions for awards of Performance Shares are described under 'Long-term incentive plan' on page 318.

Awards of Performance Shares are directed to those senior executives who can influence corporate performance such as members of the Group Management Board.

Awards of Restricted Shares are typically made to other employees based on individual performance, business performance and competitive market practice.

Restricted Share awards define the number of shares to which the employee will become entitled, generally between one and three years from the date of the award, and normally subject to the individual remaining in employment. To date, all awards of Performance Shares and Restricted Shares have been satisfied by the transfer of existing shares.

Since September 2005, no awards of share options under the HSBC Share Plan have been granted. There may be particular circumstances in the future where option grants could be appropriate. No options were awarded under the HSBC Share Plan in 2008.

Prior to 2005, discretionary awards of share options, with vesting subject to the attainment of a predetermined TSR performance condition, were made to employees at all levels of HSBC.

The vesting of these options was subject to the attainment of pre-determined relative TSR performance criteria, except in HSBC France (which was acquired in 2000) where performance criteria were phased in. Under the HSBC Holdings Group Share Option Plan, the maximum grant of options which could be granted to an employee in any one year (together with the Performance Share awards

under the HSBC Holdings Restricted Share Plan 2000) was 150 per cent (or in exceptional circumstances 225 per cent) of the employee's annual salary at the date of grant plus any bonus paid in the previous year.

Under the HSBC Holdings Executive Share Option Scheme the maximum value of options which could be granted to an employee in any one year was four times the employee's relevant earnings.

Subject to the attainment of the relative TSR performance condition where applicable, options are generally exercisable between the third and the tenth anniversary of the date of grant. Employees of a subsidiary that is sold or transferred out of HSBC may exercise options awarded under the HSBC Holdings Group Share Option Plan or the HSBC Holdings Executive Share Option Scheme within six or twelve months respectively of the sale or transfer, regardless of whether the performance condition is met.

The maximum value of options that may be granted to an employee in any one year under the HSBC Plan (when taken together with any Performance Share award made under the HSBC Share Plan) is 700 per cent of the employee's annual salary at the date of grant.

The exercise price of options granted under the HSBC Share Plan, and previously under the HSBC Holdings Group Share Option Plan, is the higher of the average market value of the ordinary shares on the five business days prior to the grant of the option or the market value of the ordinary shares on the date of grant of the option. The exercise price of options granted under the HSBC Holdings Executive Share Option Scheme was the market value of the ordinary shares on the business day prior to the grant of the option. The HSBC Share Plan will terminate on 27 May 2015 unless the Directors resolve to terminate the Plan at an earlier date.

The exercise period of the options awarded under discretionary share incentive plans may be advanced to an earlier date in certain circumstances, for example on the sale of a business, or may be extended in certain circumstances, for example on the death of a participant the executors may exercise the option beyond the normal exercise period.

Report of the Directors: Governance (continued)*Employees > Share plans / Subsidiary share plans***HSBC Holdings Executive Share Option Scheme¹**

HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (£)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year ²	Options lapsed during year	Options at 31 December 2008
16 Mar 1998	6.2767	16 Mar 2001	16 Mar 2008	427,641	414,141	13,500	–
29 Mar 1999	6.3754	3 Apr 2002	29 Mar 2009	9,794,913	2,872,548	64,352	6,858,013
10 Aug 1999	7.4210	10 Aug 2002	10 Aug 2009	91,058	19,958	–	71,100
31 Aug 1999	7.8710	31 Aug 2002	31 Aug 2009	4,000	–	–	4,000
3 Apr 2000	7.4600	3 Apr 2003	3 Apr 2010	7,920,930	743,938	146,099	7,030,893

1 The HSBC Holdings Executive Share Option Scheme expired on 26 May 2000. No options have been granted under the Scheme since that date.

2 The weighted average closing price of the shares immediately before the dates on which options were exercised was £8.47.

HSBC Holdings Group Share Option Plan¹

HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (£)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year ²	Options lapsed during year	Options at 31 December 2008
4 Oct 2000	9.6420	4 Oct 2003	4 Oct 2010	306,641	–	7,625	299,016
23 Apr 2001	8.7120	23 Apr 2004	23 Apr 2011	27,166,097	245,744	772,167	26,148,186
30 Aug 2001	8.2280	30 Aug 2004	30 Aug 2011	153,518	5,750	–	147,768
7 May 2002	8.4050	7 May 2005	7 May 2012	29,562,689	512,200	680,556	28,369,933
30 Aug 2002	7.4550	30 Aug 2005	30 Aug 2012	354,600	3,450	210,500	140,650
2 May 2003	6.9100	2 May 2006	2 May 2013	28,957,295	2,548,099	548,952	25,860,244
29 Aug 2003	8.1300	29 Aug 2006	29 Aug 2013	394,784	13,010	14,130	367,644
3 Nov 2003	9.1350	3 Nov 2006	3 Nov 2013	4,069,800	–	458,000	3,611,800
30 Apr 2004	8.2830	30 Apr 2007	30 Apr 2014	53,842,886	375,872	2,779,812	50,687,202
27 Aug 2004	8.6500	27 Aug 2007	27 Aug 2014	312,000	–	12,800	299,200
20 Apr 2005	8.3620	30 Apr 2008	20 Apr 2015	7,095,295	30,000	404,525	6,660,770

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

2 The weighted average closing price of the shares immediately before the dates on which options were exercised was £8.59.

HSBC Share Plan

HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (£)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year	Options lapsed during year	Options at 31 December 2008
21 Jun 2005	8.794	21 Jun 2008	21 Jun 2009	449,455	–	224,728	224,727
30 Sep 2005	9.170	30 Sep 2008	30 Sep 2015	74,985	–	–	74,985

Subsidiary company share plans**HSBC France and subsidiary company**

When it was acquired in 2000, HSBC France and one of its subsidiary companies, HSBC Private Bank France, operated employee share option plans under

which options could be granted over their respective shares. No further options will be granted under either of these companies' plans. The following are details of outstanding options to acquire shares in HSBC France and HSBC Private Bank France.

HSBC France

Shares of €5

Date of award	Exercise price (€)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year ¹	Options lapsed during year	Options at 31 December 2008 ¹
29 Apr 1998	73.48	7 Jun 2000	29 Apr 2008	100,379	100,379	–	–
7 Apr 1999	81.71	7 Jun 2000	7 Apr 2009	304,402	120,775	–	183,627
12 Apr 2000	142.50	1 Jan 2002	12 Apr 2010	604,250	–	–	604,250

¹ Following exercise of the options, the HSBC France shares will be exchanged for HSBC Holdings ordinary shares in the same ratio as for the acquisition of HSBC France (13 HSBC Holdings ordinary shares for each HSBC France share). At 31 December 2008, The HSBC Holdings Employee Benefit Trust 2001 (No. 1) held 8,790,276 HSBC Holdings ordinary shares which may be exchanged for HSBC France shares arising from the exercise of these options.

HSBC Private Bank France

Shares of €2

Date of award	Exercise price (€)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year ¹	Options lapsed during year	Options at 31 December 2008 ¹
21 Dec 1999	10.84	21 Dec 2000	21 Dec 2009	33,250	7,000	–	26,250
10 Mar 2000	12.44	27 Jun 2004	31 Dec 2010	20,626	–	–	20,626
15 May 2001	20.80	15 May 2002	15 May 2011	141,525	–	–	141,525
1 Oct 2002	22.22	2 Oct 2005	1 Oct 2012	145,575	–	–	145,575

¹ Following exercise of the options, the HSBC Private Bank France shares will be exchanged for HSBC Holdings ordinary shares in the ratio of 1.83 HSBC Holdings ordinary shares for each HSBC Private Bank France share. At 31 December 2008, The CCF Employee Benefit Trust 2001 held 943,142 HSBC Holdings ordinary shares which may be exchanged for HSBC Private Bank France shares arising from the exercise of these options.

HSBC Finance and its subsidiaries

Following the acquisition of HSBC Finance in 2003, all outstanding options and equity-based awards over HSBC Finance common shares were converted into rights to receive HSBC Holdings ordinary shares in the same ratio as the share exchange offer for the acquisition of HSBC Finance (2.675 HSBC Holdings ordinary shares for each HSBC Finance common share) and the exercise prices per share were adjusted accordingly. No further options will be granted under any of these plans.

All outstanding options and other equity-based awards over HSBC Finance common shares granted before 14 November 2002, being the date the

transaction was announced, vested on completion of the acquisition. Options and equity-based awards granted on or after 14 November 2002 are exercisable on their original terms, save that they have been adjusted to reflect the exchange ratio.

The following are details of options and equity-based awards to acquire shares in HSBC Holdings.

At 31 December 2008, the HSBC (Household) Employee Benefit Trust 2003 held 1,687,279 HSBC Holdings ordinary shares and 196,455 American Depositary Shares, each of which represents five HSBC Holdings ordinary shares, which may be used to satisfy the exercise of employee share options.

HSBC Finance: 1996 Long-Term Executive Incentive Compensation Plan

HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (US\$)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year ¹	Options lapsed during year	Options at 31 December 2008
1 Jul 1998	19.21	1 Jul 1999	1 Jul 2008	80,250	–	80,250	–
9 Nov 1998	13.71	9 Nov 1999	9 Nov 2008	841,566	245,375	596,191	–
17 May 1999	16.99	17 May 2000	17 May 2009	334,375	–	–	334,375
31 Aug 1999	13.96	31 Aug 2000	31 Aug 2009	300,938	–	–	300,938
8 Nov 1999	16.96	8 Nov 2000	8 Nov 2009	4,250,577	–	–	4,250,577
30 Jun 2000	15.70	30 Jun 2001	30 Jun 2010	26,846	–	–	26,846
8 Feb 2000	13.26	8 Feb 2001	8 Feb 2010	66,875	–	–	66,875
13 Nov 2000	18.40	13 Nov 2001	13 Nov 2010	5,728,514	–	–	5,728,514
12 Nov 2001	21.37	12 Nov 2002	12 Nov 2011	7,571,322	–	–	7,571,322
20 Nov 2002	10.66	20 Nov 2003	20 Nov 2012	2,454,298	12,038	40,125	2,402,135

¹ The weighted average closing price of the shares immediately before the dates on which options were exercised was £8.34.

Report of the Directors: Governance (continued)*Employees > Subsidiary share plans / Compensation***HSBC Finance: 1996 Long-Term Executive Incentive Compensation Plan¹**

HSBC Holdings ordinary shares of US\$0.50

Date of award	Vesting from	Vesting until	Rights at 1 January 2008	Rights vested during year ²	Rights lapsed during year	Rights at 31 December 2008
2 Dec 2002	2 Dec 2005	2 Dec 2007	1,784	1,784	—	—
2 Jan 2003	2 Jan 2006	2 Jan 2008	447	447	—	—
15 Jan 2003	15 Jan 2006	15 Jan 2008	10,480	10,480	—	—
3 Feb 2003	3 Feb 2006	3 Feb 2008	2,906	2,906	—	—
14 Feb 2003	14 Feb 2006	14 Feb 2008	49,134	49,134	—	—
3 Mar 2003	3 Mar 2006	3 Mar 2008	447	447	—	—

1 Awards of Restricted Stock Rights which represent a right to receive shares for nil consideration if the employee remains in the employment of HSBC Finance at the date of vesting.

2 The weighted average closing price of the shares immediately before the dates on which rights vested was £8.56.

Renaissance Holdings, Inc: Amended and Restated 1997 Incentive Plan

HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (US\$)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year ¹	Options lapsed during year	Options at 31 December 2008
1 Jan 1998	1.25	1 Jan 1999	1 Jan 2008	1,424	—	1,424	—
1 Oct 1998	1.74	1 Oct 1999	1 Oct 2008	803	—	803	—
1 Jan 1999	2.24	1 Jan 2000	1 Jan 2009	5,024	5,024	—	—

1 The weighted average closing price of the shares immediately before the dates on which options were exercised was £6.25.

Bank of Bermuda

Following the acquisition of Bank of Bermuda in 2004, all outstanding options over Bank of Bermuda shares were converted into rights to receive HSBC Holdings ordinary shares based on the consideration of US\$40 for each Bank of Bermuda share and the average closing price of HSBC Holdings ordinary shares, derived from the London Stock Exchange Daily Official List, for the five business days preceding the closing date of the acquisition. No

further options will be granted under any of these plans.

All outstanding options over Bank of Bermuda shares vested on completion of the acquisition. The following are details of options to acquire shares in HSBC Holdings. At 31 December 2008, the HSBC (Bank of Bermuda) Employee Benefit Trust 2004 held 1,877,056 HSBC Holdings ordinary shares which may be used to satisfy the exercise of these options.

Bank of Bermuda: Executive Share Option Plan 1997

HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (US\$)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year	Options lapsed during year	Options at 31 December 2008
1 Jul 1998	9.61	1 Jul 1999	1 Jul 2008	67,813	—	67,813	—
23 Feb 1999	7.40	23 Feb 2000	23 Feb 2009	4,904	—	—	4,904
3 Aug 1999	7.10	3 Aug 2000	3 Aug 2009	7,634	—	—	7,634
4 Feb 2000	7.21	4 Feb 2001	4 Feb 2010	31,678	—	—	31,678
1 Jun 2000	7.04	1 Jun 2001	1 Jun 2010	61,649	—	—	61,649
31 Jul 2000	10.11	31 Jul 2001	31 Jul 2010	27,744	—	—	27,744
11 Jan 2001	14.27	11 Jan 2002	11 Jan 2011	53,943	—	—	53,943

Bank of Bermuda: Share Option Plan 2000
HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (US\$)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year ¹	Options lapsed during year	Options at 31 December 2008
11 Jan 2001	14.27	11 Jan 2002	11 Jan 2011	134,857	–	–	134,857
6 Feb 2001	16.41	6 Feb 2002	6 Feb 2011	573,191	1,466	15,372	556,353
29 Mar 2001	15.39	29 Mar 2002	29 Mar 2011	270	–	–	270
16 Apr 2001	15.57	16 Apr 2002	16 Apr 2011	539	–	–	539
6 Jun 2001	18.35	6 Jun 2002	6 Jun 2011	8,091	–	–	8,091
16 Jul 2001	16.87	16 Jul 2002	16 Jul 2011	14,930	–	–	14,930
28 Aug 2001	15.39	28 Aug 2002	28 Aug 2011	13,486	–	–	13,486
26 Sep 2001	12.79	26 Sep 2002	26 Sep 2011	353,891	3,695	–	350,196
30 Jan 2002	15.60	30 Jan 2003	30 Jan 2012	1,226	–	–	1,226
5 Feb 2002	16.09	5 Feb 2003	5 Feb 2012	756,739	3,548	12,730	740,461
10 Jul 2002	15.84	10 Jul 2003	10 Jul 2012	12,260	–	–	12,260
4 Feb 2003	10.69	4 Feb 2004	4 Feb 2013	133,042	4,138	–	128,904
21 Apr 2003	11.85	21 Apr 2004	21 Apr 2013	6,833	–	–	6,833

1 The weighted average closing price of the shares immediately before the dates on which options were exercised was £8.15.

Bank of Bermuda: Directors' Share Option Plan
HSBC Holdings ordinary shares of US\$0.50

Date of award	Exercise price (US\$)	Exercisable from	Exercisable until	Options at 1 January 2008	Options exercised during year	Options lapsed during year	Options at 31 December 2008
22 Sep 1999	8.02	22 Sep 2000	22 Sep 2009	3,082	–	–	3,082
20 Sep 2000	11.31	20 Sep 2001	20 Sep 2010	4,046	–	–	4,046
28 Mar 2001	15.76	28 Mar 2002	28 Mar 2011	12,811	–	–	12,811
3 Apr 2002	16.01	3 Apr 2003	3 Apr 2012	24,520	–	–	24,520
30 Apr 2003	12.23	30 Apr 2004	30 Apr 2013	4,904	–	–	4,904

Employee compensation and benefits

Note 8 on the Financial Statements gives details about employee compensation and benefits including pension plans.

Set out below is information in respect of the five individuals whose emoluments were the highest in HSBC for the year ended 31 December 2008.

Emoluments of 5 highest paid employees

	£000
Basic salaries, allowances and benefits in kind	1,059
Pension contributions	74
Bonuses paid or receivable	16,386
Inducements to join paid or receivable	16,050
Total	33,569
Total (US\$000)	61,567

Their emoluments were within the following bands:

	Number of employees
£2,600,001 – £2,700,000	1
£2,800,001 – £2,900,000	1
£3,200,001 – £3,300,000	1
£11,000,001 – £11,100,000	1
£13,700,001 – £13,800,000	1

The aggregate remuneration of Directors and Senior Management for the year ended 31 December 2008 was US\$49,835,745.

The aggregate amount set aside or accrued to provide pension, retirement or similar benefits for Directors and Senior Management for the year ended 31 December 2008 was US\$1,916,120.

Executive Directors and members of Senior Management are generally subject to notice periods of up to 12 months and a normal retirement age of 65.

Report of the Directors: Governance (continued)

Corporate sustainability / Dividends, shareholders and meetings

Corporate sustainability

Sustainability at HSBC is about the Group's long-term approach to managing economic, social and environmental issues that are within its influence. First and foremost, this is about achieving sustainable profit growth so that HSBC can continue to reward shareholders and employees, build long-lasting relationships with customers and suppliers, and invest in the business and in the communities where the Group operates, for future growth.

This is central to the Group's strategy and acknowledges that HSBC's continuing financial success depends, in part, on its ability to identify and address non-financial considerations which are material to the business, and to mitigate the risks and maximise the opportunities arising from them.

Corporate Sustainability Committee

Sustainability at HSBC is embedded into the business and is overseen by the Corporate Sustainability Committee of the HSBC Holdings Board.

The Corporate Sustainability Committee is responsible for advising the HSBC Board, committees of the Board and executive management on corporate sustainability policies, including environmental, social and ethical issues. At an operational level, these issues are managed on a day-to-day basis primarily by Group Human Resources, Group Risk and Group Corporate Sustainability.

The terms of reference of the Committee are available at www.hsbc.com/boardcommittees. The members of the Committee throughout 2008 were W K L Fung (appointed Chairman on 30 May 2008) and Sir Mark Moody-Stuart, each of whom is a non-executive Director, G V I Davis and Lord May, who are non-director members of the Committee. Lord Butler retired as a Director of HSBC Holdings and ceased to be a member of the Committee on 30 May 2008. N R N Murthy was appointed a member of the Committee on 21 November 2008.

There were four meetings of the Corporate Sustainability Committee during 2008. Following each meeting, the Committee reports to the Board on its activities.

Sustainability at HSBC

HSBC understands the business imperative of investing in its employees, the communities it serves and the environment it relies on. The Group's priorities are the long-term development and engagement of its employees, increasing its understanding of risk arising from environmental,

social or reputational issues and investing in education and entrepreneurship to allow communities to build capacity and individuals to thrive.

HSBC focuses its environmental initiatives primarily on addressing and responding to issues associated with climate change including energy, water management and biodiversity. Social initiatives are centred on helping to support education and on enabling access to financial services to the world's poor.

Climate change has the potential to have a material impact on HSBC's customers and therefore on HSBC's long-term success. In 2008, HSBC built on its understanding and expertise on responding to climate change and Lord Stern continued to advise the Group Chairman on economic development and climate change. HSBC was one of the first financial institutions to adopt the Climate Principles, a voluntary framework for action on climate change that covers all areas of financial services.

HSBC also participates in the Prince of Wales' Accounting for Sustainability project which seeks to develop systems to help public and private sector organisations account more accurately for the wider social and environmental costs of their activities.

Sustainability risk

HSBC's approach to managing sustainability risk is detailed on page 254.

Social and community investment

HSBC focuses its community investment activity on education and the environment because HSBC believes these are fundamental to building and developing communities and are prerequisites for economic growth. In 2008, HSBC made charitable donations totalling US\$102 million (2007: US\$101 million). Around half of the annual donation is channelled to education programmes and 25 per cent to environmental projects. The remainder is spent on country specific projects, disaster relief and matching staff contributions. No political donations were made during the year.

HSBC's global education programme focuses on three major themes – financial literacy, disadvantaged children and environmental education. The global environmental programme is the HSBC Climate Partnership, a five year US\$100 million commitment to working with The Climate Group, Earthwatch, Smithsonian Tropical Research Institute and WWF on tackling climate change.

HSBC reports on its sustainability strategy and progress annually in the HSBC Sustainability Report which is verified by an external auditor and prepared using the Global Reporting Initiative.

PricewaterhouseCoopers has been appointed for the 2008 reporting period and will verify the Group sustainability strategy and governance structure, the content of the report, carbon neutrality status and adherence to the Equator Principles. The HSBC Sustainability Report 2008 will be issued on 22 May 2009 and will be available at www.hsbc.com/sustainability

Health and safety

The maintenance of appropriate health and safety standards throughout HSBC remains a key responsibility of all managers and HSBC is committed to proactively managing all health and safety risks associated with its business. HSBC's objectives are to identify, remove, reduce or control material risks of fires and of accidents or injuries to employees and visitors.

Group standards, instructions and related policies and procedures are set by Group Corporate Real Estate and implemented by Health, Safety and Fire Co-ordinators ('HSFCs') based in each country in which HSBC operates. The HSFC may call upon regional and Group resource by way of support at any time.

Despite the considerable international pressure on terrorist networks over the past few years, the global threat from terrorism persists. HSBC remains committed to maintaining its preparedness and to ensuring the highest standards of health and safety wherever in the world it operates.

Group Security provides regular risk assessments in areas of increased risk to assist management in judging the level of terrorist threat. In addition, Regional Security functions conduct regular security reviews to ensure measures to protect HSBC staff, buildings, assets and information are appropriate for the level of threat.

Supplier payment policy

The Company does not currently subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment, and to abide by the terms of payment.

It is HSBC Holdings' practice to organise payment to its suppliers through a central accounts

payable function operated by its subsidiary, HSBC Bank. Included in the balance with HSBC Bank is the amount due to trade creditors which, at 31 December 2008, represented 22 days' average daily purchases of goods and services received from such creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 2007/3495.

Dividends, shareholders and meetings

Dividends for 2008

First, second and third interim dividends for 2008, each of US\$0.18 per ordinary share, were paid on 9 July 2008, 8 October 2008 and 14 January 2009 respectively. Note 12 on the Financial Statements gives more information on the dividends declared in 2008. On 2 March 2009, the Directors declared a fourth interim dividend for 2008 of US\$0.10 per ordinary share in lieu of a final dividend, which will be payable on 6 May 2009 in cash in US dollars, or in sterling or Hong Kong dollars at exchange rates to be determined on 27 April 2009, with a scrip dividend alternative. As the fourth interim dividend for 2008 was declared after the balance sheet date it has not been included as a creditor at 31 December 2008. The reserves available for distribution at 31 December 2008 are US\$18,838 million.

A quarterly dividend of US\$15.50 per 6.20 per cent non-cumulative US dollar preference share, Series A ('Series A dollar preference share'), equivalent to a dividend of US\$0.3875 per Series A American Depositary Share, each of which represents one-fortieth of a Series A dollar preference share, was paid on 17 March, 16 June, 15 September and 15 December 2008.

Dividends for 2009

The proposed timetable for interim dividends in respect of 2009 on the ordinary shares of US\$0.50 is set out in the Shareholder Information section on page 448.

A quarterly dividend of US\$15.50 per Series A dollar preference share (equivalent to a dividend of US\$0.3875 per Series A American Depositary Share, each of which represents one-fortieth of a Series A dollar preference share) was declared on 11 February 2009 for payment on 16 March 2009.

Communication with shareholders

Communication with shareholders is given high priority. Extensive information about HSBC's activities is provided in the *Annual Report and*

Report of the Directors: Governance (continued)

Dividends, shareholders and meetings // Directors' Remuneration Report > Remuneration Committee / Overall principles

Accounts, Annual Review and the Interim Report which are sent to shareholders and are available on www.hsbc.com. There is regular dialogue with institutional investors and enquiries from individuals on matters relating to their shareholdings and the business of HSBC 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 the progress of HSBC.

Notifiable interests in share capital

As at 2 March 2009, the following disclosures of major holdings of voting rights have been made (and have not been amended or withdrawn) to the Company pursuant to the requirements of the Financial Services Authority Disclosure and Transparency Rule 5:

- Barclays PLC gave notice on 17 April 2007 that it had an indirect interest on 16 April 2007 in 518,233,657 HSBC Holdings ordinary shares, representing 4.47 per cent of the ordinary shares in issue at that date.
- Legal & General Group Plc gave notice on 18 April 2008 that it had a direct interest on 16 April 2008 in 593,425,216 HSBC Holdings ordinary shares, representing 5.00 per cent of the ordinary shares in issue at that date and gave notice on 21 April 2008 that on 18 April 2008 its holding of HSBC ordinary shares fell below 5.00 per cent of the ordinary shares in issue at that date.

As at 31 December 2008, according to the register maintained by HSBC Holdings pursuant to section 336 of the Securities and Futures Ordinance of Hong Kong, The Royal Bank of Scotland Group plc had given notice that on 2 December 2008 it had a long position of 606,742,842 HSBC Holdings ordinary shares, representing 5.01 per cent of the ordinary shares in issue, a short position of 532,705,395 HSBC Holdings ordinary shares, representing 4.40 per cent of the ordinary shares in issue and a lending pool of 11,562,000 HSBC Holdings ordinary shares, representing 0.10 per cent in ordinary shares in issue. Since 31 December 2008, The Royal Bank of Scotland Group plc has given notice that on 9 January 2009 it had a long position of 552,481,458 HSBC Holdings ordinary shares, representing 4.56 per cent of the ordinary shares in issue, a short position of 507,430,390 HSBC Holdings ordinary shares, representing 4.19 per cent of the ordinary shares in issue and a lending pool of 15,919,328, representing 0.13 per cent in ordinary

shares in issue.

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at least 25 per cent of the total issued share capital of HSBC Holdings has been held by the public at all times during 2008 and up to the date of this Report.

Dealings in HSBC Holdings shares

Except for dealings as intermediaries by HSBC Bank, HSBC Financial Products (France) and The Hongkong and Shanghai Banking Corporation, which are members of a European Economic Area exchange, neither HSBC Holdings nor any subsidiary has bought, sold or redeemed any securities of HSBC Holdings during the year ended 31 December 2008.

Annual General Meeting

The Annual General Meeting of HSBC Holdings will be held at the Barbican Hall, Barbican Centre, London EC2 on 22 May 2009 at 11.00am.

An informal meeting of shareholders will be held at Level 28, 1 Queen's Road Central, Hong Kong on Tuesday 19 May 2009 at 4.30pm.

Resolutions to receive the *Annual Report and Accounts*, approve the Directors' Remuneration Report, re-elect Directors and reappoint KPMG Audit Plc as Auditor will be submitted to the Annual General Meeting. KPMG Audit Plc has expressed its willingness to continue in office and the Group Audit Committee and the Board have recommended that KPMG Audit Plc be reappointed. Resolutions will also be submitted to the Annual General Meeting to renew the authorities for the allotment of shares, the disapplication of pre-emption rights and the purchase of ordinary shares. In addition, resolutions will be proposed to seek approval for changes to the Articles of Association and to continue to be able to call general meetings (other than Annual General Meetings) on 14 days' notice.

A live webcast of the Annual General Meeting will be available on www.hsbc.com. From shortly after the conclusion of the Meeting until 30 June 2009 a recording of the proceedings will be available on www.hsbc.com.

On behalf of the Board
S K Green, *Group Chairman*

2 March 2009