NOMINATION COMMITTEE

Terms of Reference

Membership

The Committee shall comprise not less than two independent non-executive directors.

The Chairman of the Committee shall be appointed by the Board.

The Board may from time to time appoint additional members to the Committee from among the directors. All members of the Committee shall be independent non-executive directors.

The Committee may invite the Group Chairman, any director, executive or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective.

Meetings and Quorum

The Committee shall meet with such frequency and at such times as it may determine. It is expected that the Committee shall meet at least twice each year.

The quorum for meetings shall be two, one of whom should be the Committee Chairman, unless he or she is unable to attend due to exceptional circumstances.

Objective

The Committee shall be responsible to the Board for leading the process for Board appointments and for identifying and nominating for the approval of the Board, candidates for appointment to the Board.

Responsibilities of the Committee

Without limiting the generality of the Committee's objective, the Committee shall have the following responsibilities, powers, authorities and discretion.

1. The Committee shall make recommendations to the Board concerning:

    1.1 plans for succession for both executive and non-executive directors;
    1.2 in relation to board appointments, a policy on diversity;
    1.3 the appointment of any director to executive or other office other than to the positions of Chairman and Chief Executive, the recommendation for which is to be considered at a meeting of the Board;
    1.4 suitable candidates for the role of senior independent director;
    1.5 the re-election by shareholders of directors;
    1.6 the renewal of the terms of office of non-executive directors;

1.7 membership of Board Committees, in consultation with the Group Chairman and the chairmen of such committees as appropriate;
1.8 any matters relating to the continuation in office of any director at any time; and
1.9 appointments and re-appointments to the Boards of Directors of major subsidiary companies as appropriate.

2. The Committee shall:

2.1 regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board and make recommendations to the Board with regard to any changes;
2.2 give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board and among senior executives in the future;
2.3 before recommending an appointment, evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:

2.3.1 use such method or methods to facilitate the search as it may deem appropriate;
2.3.2 consider candidates from a wide range of backgrounds;
2.3.3 consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position; and
2.3.4 have due regard for the benefits of diversity on the board, including gender;

2.4 keep under review the leadership needs of HSBC, both executive and non-executive, with a view to ensuring the continued ability of HSBC to compete effectively in the marketplace;
2.5 keep up to date and fully informed about strategic issues and commercial changes affecting HSBC and the market in which it operates;
2.6 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties; and
2.7 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

3. The Committee shall make a statement in the annual report about its activities, the process used for appointments and explain if external advice or open advertising has not been used.

4. The Committee may appoint, employ or retain such professional advisers as the Committee may consider appropriate. Any such appointment shall be made through the Secretary to the Committee, who shall be responsible for the contractual arrangements and payment of fees by HSBC on behalf of the Committee.

5. The Committee shall review annually the Committee's terms of reference and its own effectiveness and recommend to the Board any necessary changes.