

## HANG SENG BANK LIMITED

### TERMS OF REFERENCE OF NOMINATION COMMITTEE

#### 1. Objective

- 1.1 The Nomination Committee (**the “Committee”**) of Hang Seng Bank Limited (**the “Bank”**) shall be responsible to the Board for leading the process for Board appointments and for identifying and nominating for the approval by the Board, candidates for appointment to the Board. The Committee shall also have responsibility for identifying individuals suitably qualified to become members of senior management and selecting, or making recommendations to the Board on the selection of, individuals nominated for senior management positions (based on the role and its responsibilities and the knowledge, experience and competence which the role requires).

#### 2. Membership

- 2.1 The Committee shall comprise the Chairman of the Board, the Chief Executive and at least three Non-executive Directors.
- 2.2 The Chairman of the Committee shall be the Chairman of the Board.
- 2.3 The Board may from time to time appoint additional members to the Committee from among the Directors. A majority of the members of the Committee shall be Independent Non-executive Directors.
- 2.4 The Chairman and each member of the Committee shall be appointed for an initial term until the conclusion of their current term of appointment as a Non-executive Director. Subsequent additional terms of appointment to the Committee may be made subject to review and approval by the Board.

#### 3. Attendance

- 3.1 The Committee may invite 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.

#### 4. Meetings and Quorum

- 4.1 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.
- 4.2 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.
- 4.3 The Secretary of the Committee is the Company Secretary and Head of Corporate Governance or his/her nominee, who shall support the Chairman and Committee members in the operation of the Committee and its meetings.

- 4.4 Following each Committee meeting, the Chairman shall report at the next Board meeting on the Committee's proceedings. The minutes of the meeting shall be presented by the Committee Chairman at the first scheduled Board meeting after their preparation.
- 4.5 The Secretary of the Committee shall produce such papers and minutes of the Committee's meetings as are appropriate and distribute them to all members of the Committee.

## **5. Responsibilities of the Committee**

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

- 5.1 The Committee shall make recommendations to the Board concerning:
- (a) succession for both Executive and Non-executive Directors, in particular, the Chairman and the Chief Executive;
  - (b) the appointment of any Director to executive or other office other than to the positions of Chairman of the Board;
  - (c) suitable candidates for the role of Vice-Chairman;
  - (d) the re-election by shareholders of Directors retiring by rotation;
  - (e) the renewal of the terms of office of Non-executive Directors;
  - (f) membership and terms of appointment of Board Committees, in consultation with the Chairmen of such Committees as appropriate;
  - (g) any matters relating to the continuation in office of any Director at any time;
  - (h) appointments to the following senior executive roles that are reserved to the Board for approval:
    - (i) Chief Executive
    - (ii) Alternate Chief Executive
    - (iii) Chief Financial Officer
    - (iv) Chief Risk and Compliance Officer
    - (v) Chief Operating Officer
    - (vi) Company Secretary and Head of Corporate Governance
    - (vii) Head of Internal Audit; and
  - (i) succession for senior management positions.
- 5.2 The Committee is delegated by the Board with authority to approve appointments to the position of "Manager" as defined under the Banking Ordinance and any additional senior management roles as may be determined from time to time by the Board.

5.3 The Committee shall:

- (a) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board and its committees at least annually and make recommendations on any proposed changes to the Board to complement the Bank's corporate strategy;
- (b) give full consideration to succession planning for Directors in the course of its work, taking into account the challenges and opportunities facing the Bank, and what skills and expertise are therefore needed on the Board in the future;
- (c) before recommending an appointment of a Director, 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 Board candidates, the Committee shall:
  - (i) use such method or methods to facilitate the search as it may deem appropriate;
  - (ii) consider candidates from a wide range of backgrounds, knowledge and experience, to establish an appropriate balance of skills, expertise, diversity and objectivity assessed on merit and against objective criteria, and the appointees' time commitment to ensure that they have enough time available to devote to the position;
  - (iii) promote diversity in its widest sense, including in relation to age, race, gender, social and ethnic backgrounds and geography so that the Board collectively benefits from a broad range of perspectives and attributes; and
  - (iv) take into account potential conflicts of interest;
- (d) in identifying suitable Chief Executive (including Alternate Chief Executive) candidates for recommendation to the Board, the Committee shall have due regard to his/her integrity, technical competence and experience in banking business;
- (e) keep under review the leadership needs of the Bank, both executive and non-executive, with a view to ensuring the continued ability of the Bank to compete effectively in the marketplace;
- (f) assess the independence of Independent Non-executive Directors at least annually following reviews against the requirements/criteria prescribed by Hong Kong Listing Rules, Hong Kong Monetary Authority and other applicable criteria;
- (g) assess the collective suitability of Board members such that:
  - (i) the Board collectively should have adequate knowledge and expertise relevant to each of the material business activities that the Bank pursues (or intends to pursue) and the associated risks in order to ensure effective governance and oversight;
  - (ii) the Board collectively should have a reasonable understanding of local, regional and global economic and market forces and of the legal and regulatory environment. In this context, international experience, where relevant, should be considered; and

- (iii) individual Board members' attitude should facilitate communication, collaboration and critical debate in the decision-making process;
- (h) keep up to date and fully informed about strategic issues and commercial changes affecting the Bank, and the market in which it operates;
- (i) review the Bank's Nomination Policy for Directors periodically and the Bank's Board Diversity Policy annually, and make recommendations on any proposed revisions to the Board.
- (j) 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;
- (k) submit an annual board succession plan for consideration by HSBC Group Chairman and/or HSBC Group Nomination and Corporate Governance Committee through the Nomination Committee of The Hongkong and Shanghai Banking Corporation Limited pursuant to the requirements of HSBC Group's Subsidiary Accountability Framework or other applicable Group governance requirements; and
- (l) 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.

## **6. Other responsibilities**

### **6.1 Annual review of terms of reference and committee effectiveness**

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

### **6.2 External advisers**

- 6.2.1 The Committee shall be provided with sufficient resources to perform its duties and may retain special counsel, advisers, experts, or other consultants to consider from time to time any matters which the Committee believes are required of it in keeping its responsibilities. The Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Bank and challenge its analysis and assessment. Any such appointment shall be made through the Secretary to the Committee, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Bank.

### **6.3 Publication of terms of reference**

- 6.3.1 The terms of reference of the Committee are published on the websites of the Stock Exchange of Hong Kong Limited and the Bank.

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