

NOMINATION COMMITTEE REPORT

The Nomination Committee

The Nomination Committee is delegated with the authority from the Board to formulate and implement the policy for nominating Board candidates for election by Shareholders and assess INED's independence and commitment. Its terms of reference are available on the HKEX Group website [ORG](#).

The Nomination Committee comprises five INEDs whose names and biographies are set out in the Board and Committees section of this Annual Report. The Nomination Committee held five meetings in 2016. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

Summary of Work in 2016/2017

- Reviewed an independent consultant's report on the Board's composition to identify any talent or experience gaps
- Nominated Board candidates for election by Shareholders at the 2016 and 2017 AGMs
- Reviewed the independence of the 12 INEDs and the Board candidates who have been nominated to stand for election at the 2017 AGM
- Reviewed time commitment of Directors for performance of their responsibilities
- Reviewed the succession plan for the Board

Changes in Directors during 2016

In March 2016, the Government re-appointed C K Chow and Tim Freshwater to the Board, each for a term of approximately two years from the close of the 2016 AGM until the conclusion of the AGM in 2018.

At the 2016 AGM, Apurv Bagri was elected by Shareholders for a term of approximately three years from 28 April 2016 until the conclusion of the AGM in 2019. Oscar Wong retired from the Board after the conclusion of the 2016 AGM.

Retiring Directors

The service term of Anita Fung, Rafael Gil-Tienda, John Harrison and Margaret Leung (Government Appointed Directors), and Bill Kwok and Vincent Lee (Elected Directors) will expire at the conclusion of the 2017 AGM.

Board Diversity

HKEX sees increasing diversity at the Board level as an essential element in attaining its strategic objectives and achieving sustainable and balanced development for the Group. Since 2013, HKEX has followed the Board Diversity Policy which is available on the HKEX Group website [CG](#). To further enhance Board diversity and strike an appropriate balance between continuity of experience and Board refreshment, HKEX has, since 2015, set a maximum tenure of 12 consecutive years for the Non-executive Directors to be eligible for nomination by the Board to stand for re-election by Shareholders.

The Nomination Committee also reviews the Board structure, size and diversity annually and recommends any proposed changes to the Board to complement HKEX's corporate strategies. In 2016, the Nomination Committee engaged an independent consultant to conduct a review of the Board's composition to identify any talent or experience gaps which could be filled through the future appointment of Directors.

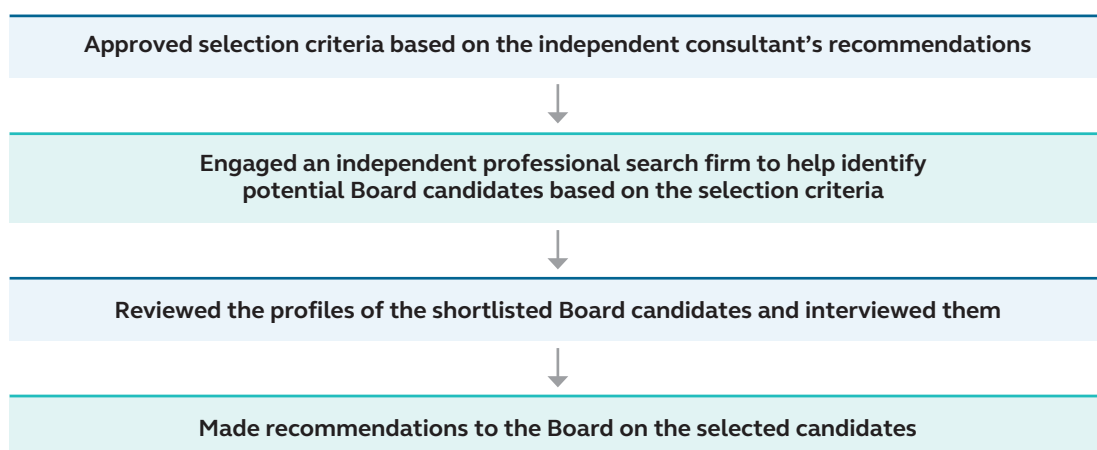
Independent Consultant’s Recommendation

In the short term, HKEX should look for Board candidates who are seasoned and senior market participants with the following key attributes:

- Extensive knowledge and experience in trading (eg, securities and derivatives markets), capital markets (eg, asset management sector) or both in Hong Kong;
- Good understanding of the local market dynamics; and
- Ability to contribute to the Board’s understanding of, and response to, Hong Kong’s market environment

Nomination of Candidates

Following the independent consultant’s review, the Nomination Committee adopted the following process to identify potential Board candidates to stand for election at the 2017 AGM:



In December 2016, the Nomination Committee nominated Cheah Cheng Hye and Leung Pak Hon, Hugo to the Board for it to recommend to Shareholders for election at the 2017 AGM. The nominations were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity, as set out under the Board Diversity Policy. Given Mr Cheah’s in-depth knowledge of the fund management industry and Mr Leung’s extensive experience in global markets business including the fixed income, equities and commodity derivatives businesses, their appointment would help broaden the Board’s diversity and enhance its performance.

The Nomination Committee was satisfied with the independence of Messrs Cheah and Leung having regard to the criteria under the Main Board Listing Rules. Messrs Cheah and Leung do not have any service contracts with any member of the Group that are not determinable by the Group within one year without compensation (other than statutory compensation). Their particulars will be set out in the circular to Shareholders to be sent together with this Annual Report and posted on the HKEX Group website [IR](#).

Independence of Non-executive Directors

An independent Board has the benefit of providing objective judgement and constructive challenge to the viewpoints presented by management. The Nomination Committee assesses Non-executive Directors' independence and reviews their independence annually and at any other time where the circumstances warrant reconsideration.

Assessment upon Director's Appointment

Apurv Bagri, upon his appointment, confirmed the following in writing to the SFC:

- his independence having regard to the criteria under Rule 3.13 of the Main Board Listing Rules;
- he has no connection with any of HKEX's core connected persons (as defined in the Main Board Listing Rules); and
- he has no past or present financial or other interest in the Group's business, except for his interests in the Metdist Group of companies which have been trading and clearing on the LME and LME Clear. Mr Bagri considered that the business dealings between the Metdist Group of companies and the LME/LME Clear were immaterial and would not affect his exercise of independent judgement.

Ongoing Assessment

- Each INED is required to inform HKEX as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence. No such notification was received during 2016.
- None of the Directors have any financial, business, family or other material/relevant relationships with each other, in particular, between HKEX's Chairman and Chief Executive.
- Details of the Directors' interests in the Group's business are set out on pages 65 and 66 of this Annual Report.

On 15 February 2017, the Nomination Committee assessed the annual independence confirmation received from each INED, having regard to the criteria under Rule 3.13 of the Main Board Listing Rules.

Annual Assessment

- As a good corporate governance practice, every Nomination Committee member abstained from assessing his own independence.
- Particular attention was given to assessing the independence of the Government Appointed Directors (including C K Chow, who is an Executive Councillor) given that the Government is a Minority Controller of HKEX.
- Consideration was given to the independence of Bill Kwok and Vincent Lee, who have been serving on the Board for more than nine years.
- The Nomination Committee affirmed that all INEDs continued to demonstrate strong independence in judgement and were free from any business or other relationship which could interfere with their ability to discharge their duties effectively, and they therefore all remained independent.

CHOW Chung Kong

Chairman of the Nomination Committee

Hong Kong, 15 February 2017