

Corporate Governance Report

The Board is committed to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of HKEX businesses.

HKEX's key corporate governance practices and activities during the year ended 31 December 2019 are highlighted in this report and the Committee Reports, as well as in the 2019 CSR Report which will be published on the HKEX Group website together with this Annual Report. All the Committee Reports form part of this report.

More details about HKEX's corporate governance structure, principles and practices are available on the HKEX Group website [CG](#).

Committee Reports

Nomination and Governance Committee Report: pages 94 to 96

Audit Committee Report: pages 97 to 100

Risk Committee Report: pages 101 to 104

Remuneration Committee Report: pages 105 to 111

CSR Committee Report: pages 112 and 113

HKEX Group website (www.hkexgroup.com)

About HKEX (Organisation) section [ORG](#)

Investor Relations section [IR](#)

Corporate Governance section [CG](#)

Corporate Social Responsibility section [CSR](#)

Governance Highlights

Board structure

- 11 of the 12 Directors¹ are independent
- Members of all governance related committees² are INEDs
- 2 of the 12 Directors¹ are female
- Set a goal to achieve gender parity on the Board
- Diverse range of expertise and experience
- Periodic Board refreshment

Board and governance process

- Establishment of International Advisory Council to provide the Board with expert insight and perspective
- 49 Board and committee meetings in total in 2019
- Completion of an independent Board evaluation
- Introduction of Directors' Training Guidelines
- Launch of a mentoring programme for senior executives
- Annual review of succession plans
- Annual review of compensation policies
- Robust risk management and internal controls framework
- Embedded compliance culture
- Proactive and ongoing stakeholder engagement

¹ As at 31 December 2019

² Refer to the Audit Committee, the Nomination and Governance Committee, the Remuneration Committee, and the Risk Committee

Compliance with Corporate Governance Code

Throughout the year 2019, HKEX complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the following exceptions:

Code Provision A.4.1 (Re-election of non-executive directors)

The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by the SFO.

Code Provision A.4.2 (Retirement by rotation of directors)

The Chief Executive in his capacity as a Director is not subject to retirement by rotation, as his term on the Board is coterminous with his employment with HKEX under HKEX's Articles.

HKEX has applied the principles of the Corporate Governance Code to its corporate governance structure and practices as described in this report and on the HKEX Group website [CG/IR/ORG](#). A checklist detailing HKEX’s compliance with the Corporate Governance Code is available on the HKEX Group website [CG](#). The Board has delegated its corporate governance functions to the Nomination and Governance Committee. A summary of the work of the Committee in 2019/2020 is set out in the Nomination and Governance Committee Report.

Strategic Planning

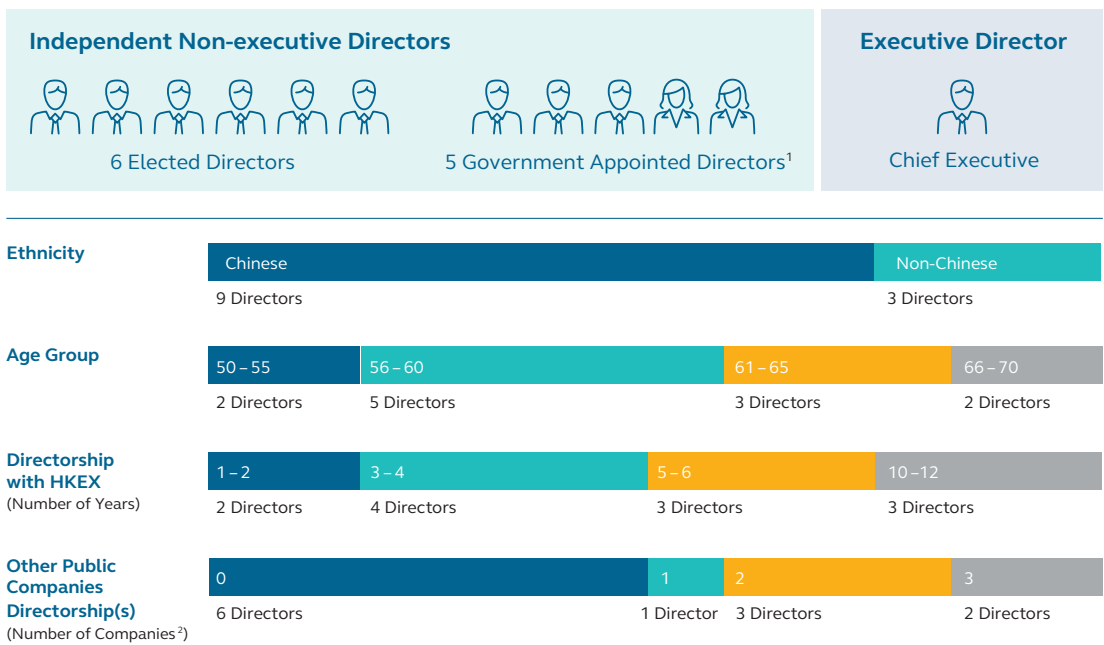
HKEX has a rigorous and continuing strategic planning process to identify and assess the opportunities and challenges that the Group might face and to develop a planned course of action for the Group to generate sustainable long-term value for Shareholders.

In February 2019, HKEX published its three-year Strategic Plan 2019-2021, which is available on the HKEX Group website (About HKEX section). Two offsite strategic meetings were held in 2019 to review the achievements under the plan, and discuss and explore potential strategic moves. The accomplishments achieved during the year are reported in the Chief Executive’s Review and Business Review sections of this Annual Report.

The Board

Board Composition

The Board’s structure is governed by HKEX’s Articles and the SFO. The Board has an appropriate mix of skills, experience and diversity that are relevant to HKEX’s strategy, governance and business and underpin its effectiveness and efficiency. Its approach to achieving diversity is set out in the Board Diversity Policy, which is available on the HKEX Group website [CG](#).



1 As at 31 December 2019

2 Directorships held at companies within the same group are considered to be one single directorship.

Directors' skills and experience

	Executive leadership & strategy/Directorship or senior executive experience with other listed company(ies)	Capital market expertise	International business	Mainland China exposure	Accounting professionals/ financial management expertise	Legal professionals/ regulatory & compliance/ risk management	IT
INEDs							
Laura M Cha (Chairman)	●	●	●	●		●	
Apurv Bagri	●	●	●		●	●	
T C Chan	●	●	●	●	●	●	
C H Cheah	●	●	●	●			
Anita Fung	●	●	●	●		●	
Rafael Gil-Tienda	●	●	●	●		●	
Fred Hu	●	●		●	●		●
Benjamin Hung	●	●	●	●			
Hugo Leung	●	●	●	●		●	
John Williamson	●	●	●	●	●	●	●
Stephen Yiu	●		●	●	●	●	●
Executive Director							
Charles Li	●	●	●	●	●	●	●
Coverage							
(% of entire Board)	100%	92%	92%	92%	50%	75%	33%

The names of the Directors in office during 2019 and brief biographies of the current Directors are included, respectively, in the Board and Committees section and the Board of Directors and Senior Management section of this Annual Report.

Under HKEX's Articles, the term of office of Non-executive Directors is not more than three years (subject to re-appointment or re-election), although each Government Appointed Director is normally appointed for a term of approximately two years. Staggered terms of service enable the Board to have a good balance of experienced and new Directors. The average tenure of the current Directors as of the date of this report is 5.3 years. A casual vacancy for a Government Appointed Director arose on the Board due to the passing of Mary Ma in August 2019. The service term of Laura M Cha and Benjamin Hung (Government Appointed

Directors), and C H Cheah and Hugo Leung (Elected Director) will expire at the conclusion of the 2020 AGM. On 21 February 2020, the Government appointed Susan Chow and re-appointed Laura M Cha and Benjamin Hung as members of the Board, each for a term of approximately two years from the conclusion of the 2020 AGM until the end of the AGM to be held in 2022. On 26 February 2020, the Board accepted the nomination by the Nomination and Governance Committee and recommended C H Cheah and Hugo Leung to stand for re-election at the 2020 AGM.

Information about the Board Diversity Policy and the Nomination Policy along with the results of the review of the Board's composition, the nomination of Board candidates and the assessment of INEDs' independence during 2019/2020 are set out in the Nomination and Governance Committee Report.

Roles and Responsibilities

Good governance emanates from an effective and accountable board. At HKEX, the Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation by management. The Board monitors the Group's operating and financial performance, reviews the Group's compensation policies and succession planning, and ensures that effective governance and CSR policies and sound internal control and risk management systems are in place. The Board operates under defined terms of reference which set out matters specifically reserved for its decision. The terms of reference are available on the HKEX Group website [ORG](#).

For effective oversight and leadership, the Board regularly reviews reports from the Chief Executive and senior executives on the progress of the approved strategies, plans and budgets, and receives updates/advice from the Board committees, external market/industry experts and management on the Group's governance, business performance and development. In light of the increasingly competitive and complex global environment, the International Advisory Council was established in February 2019 to provide the Board with expert insight and perspective. Further details relating to the Board committees, the International Advisory Council, the Consultative Panels and HKEX's management functions are set out in the Board Delegation section below.

Board Effectiveness

The Board recognises that conducting regular evaluation of its performance is essential to good corporate governance and Board effectiveness. In 2019, the Board engaged an independent external consultant to evaluate the performance of the boards and key governance committees of HKEX and its two subsidiaries, the LME and LME Clear.

The evaluation drew from four sources of information: (1) questionnaire responses from directors and executives who work closely with the boards and their governance committees; (2) review of key governance documents and selected board papers and minutes; (3) interviews with the directors and selected executives; and (4) observations of board and committee meetings. The scope of the evaluation focused on four aspects of the boards' operations: operating framework, membership, group performance, and interactions with the institution.

The evaluation concluded that all three boards, the Board, the LME Board and the LME Clear Board, are effective. In particular, the Board's practices are compliant with the Corporate Governance Code, and the Board operates effectively in its governance of HKEX.

The evaluation also noted that the Board has made material progress with respect to all of the aspects highlighted in the prior independent evaluation in 2017. On a forward-looking basis, three areas were identified to be deserving of the Board's continued attention as HKEX's strategic needs evolve:

- Continuing to evolve the skillsets of the Board members to reflect the continual evolution in the HKEX Group's business
- Ongoing focus on effective risk management, with a careful consideration of the balance between risk types
- Balancing the roles of the parent and subsidiary boards to ensure limited duplication

Finally, the evaluation also concluded that the performance of the LME Board and the LME Clear Board was in compliance with the applicable laws and governance codes; and acknowledged the steps taken by both boards to continue enhancing their effectiveness in line with international best practices. The findings and recommendations from the evaluation were presented to the Board in December 2019.

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive at HKEX are complementary, but importantly, they are distinct and separate with a clear and well established division of responsibilities. Details of their respective roles and responsibilities are available on the HKEX Group website [CG](#).

Key Responsibilities of the Chairman and the Chief Executive



The Chairman, the Chief Executive and other Directors do not have any financial, business, family or other material/relevant relationships with each other.

Induction and Development

Upon appointment to the Board, Directors are provided with comprehensive induction training to ensure that they have a thorough understanding of the Group's operations and governance policies as well as their role and responsibilities. Every new Board member also receives a Director's Handbook which contains the Board's terms of reference, an overview of Directors' responsibilities, the Guidelines on Conduct and information on other key governance issues. The Director's Handbook and more information about induction training for new Directors are available on the HKEX Group website [CG](#).

Ongoing training helps Directors keep abreast of current trends and issues facing the Group, while enabling them to update and refresh their skills and knowledge necessary for the performance of their duties. Directors are invited to attend the Board knowledge sessions, the Board offsite meeting(s) and the International Advisory Council meetings held during the year, at which external industry experts, Council members or senior executives of HKEX are engaged to provide information on various topics of interest, in particular on global strategies, market best practices and the latest market trends and developments. The Directors' Training Guidelines were introduced in 2019 to assist Directors in complying with the training requirement under the Corporate Governance Code and to ensure that Directors give adequate importance to training and development.

All Directors are required to provide HKEX with their training records, and to confirm their respective records on a semi-annual basis. The records are maintained by the Group Company Secretary for annual review by the Nomination and Governance Committee. During 2019, the Directors received an aggregate of about 502 hours of training by attending or participating in Board knowledge sessions, management briefings and events such as conferences, seminars and workshops on directors' duties and other topics relevant to HKEX's strategy and business.

2019 Directors' Training by Topic

	Average hours of training: 42 ¹					
	HKEX's strategy/business	Economy/financial markets and products	Director's duties/ESG practices	Financial reporting/risk management	Legislative/regulatory compliance	IT
INEDs ²						
Laura M Cha (Chairman)	●	●	●	●	●	●
Apurv Bagri	●	●		●	●	●
T C Chan	●	●	●	●	●	●
C H Cheah	●	●		●	●	●
Anita Fung	●	●	●	●	●	●
Rafael Gil-Tienda	●	●	●	●	●	●
Fred Hu	●	●		●	●	●
Benjamin Hung	●	●		●	●	●
Margaret Leung	●	●				●
Hugo Leung	●	●	●	●	●	●
John Williamson	●	●		●	●	●
Stephen Yiu	●	●	●	●	●	●
Executive Director						
Charles Li	●	●	●	●	●	●

- 1 Excludes the training hours received by Margaret Leung who retired from the Board at the end of the 2019 AGM and the late Mary Ma who passed away on 31 August 2019
- 2 Excludes Ms Ma who passed away on 31 August 2019

Board Process

In addition to the two offsite strategic meetings in September and December, the Board held 10 meetings in 2019 to discuss matters relating to the Group's strategies, business operations, performance, governance, risk management, regulatory compliance, corporate social responsibility and human capital. The Chairman also had regular gatherings with other Directors, occasionally without the presence of the Chief Executive, to consider issues in an informal setting.

Attendance Record of Directors and Committee Members in 2019¹

	2019 AGM	Board	Audit Committee	Board Executive Committee	CSR Committee	Investment Committee	Nomination and Governance Committee	Panel Member Selection Committee	Remuneration Committee	Risk Committee	Risk Management Committee (statutory)
Number of Meetings	1	10	4	9	3	4	5	1	4	4	5
Total Duration (Approximate number of hours)	1	33	12	5	2	5	4	1	6	6	5
Average preparation time per director (Approximate number of hours) ²	2	53	21	11	4	14	9	2	18	11	11
INEDs											
Laura M Cha (Chairman)	1/1	10/10		9/9	3/3		5/5		4/4	4/4	5/5
Apurv Bagri	1/1	10/10					5/5				
T C Chan	1/1	10/10	4/4				5/5	1/1		4/4	5/5
C H Cheah	1/1	9/10		8/9		4/4	5/5	1/1	4/4		
Anita Fung	1/1	8/10	3/4			4/4		1/1			
Rafael Gil-Tienda ³	1/1	10/10					2/3	0/1	4/4	1/1	
Fred Hu	1/1	10/10				3/4			3/4		
Benjamin Hung	0/1	10/10				4/4					
Margaret Leung ⁴	1/1	1/1		3/3			2/2			1/1	1/1
Hugo Leung ⁵	1/1	9/10	4/4	8/9	3/3	3/3		1/1		3/3	
Mary Ma ⁶		4/4	2/2							2/2	1/1
John Williamson ⁷	1/1	10/10	4/4	6/6	3/3				4/4		
Stephen Yiu	1/1	10/10	4/4		2/3					4/4	
Executive Director											
Charles Li	1/1	10/10		9/9	2/3						
Market Professionals											
Gao Yingxin											5/5
Lawrence Lam											4/5
Clement Lau											5/5
Rico Leung ⁸											3/3
Keith Lui ⁸											2/2
Barbara Shiu											5/5
Attendance Rate	92%	97%	95%	96%	87%	95%	96%	80%	95%	100%	97% ⁹

1 During 2019, certain Directors also performed a regulatory role by serving as members of the Listing Nominating Committee and the Listing Policy Panel, and attending as the chairman, the deputy chairman or a member of 11 hearings held by the Listing Appeals Committee of the Exchange.

2 This represents the average number of hours spent by each incumbent Director on preparing the 2019 AGM and the meetings of the Board and of the Committees on which they served during 2019.

3 Mr Gil-Tienda was appointed to the Nomination and Governance Committee on 24 April 2019 and ceased to be a member of the Risk Committee on the same date.

4 Mrs Leung retired from the Board and the committees on 24 April 2019.

5 Mr Leung was appointed to the Investment Committee and the Risk Committee on 24 May and 24 April 2019 respectively.

6 Ms Ma, who was appointed as a Director and a member of each of the Audit Committee, the Risk Committee and the Risk Management Committee (statutory) on 24 April 2019, passed away on 31 August 2019.

7 Mr Williamson was appointed to the Board Executive Committee on 24 April 2019.

8 Mr Leung was appointed to the Risk Management Committee (statutory) on 28 August 2019 to replace Mr Lui.

9 The attendance rate calculation took into account the attendance by the alternate member of the committee.

To facilitate effective oversight and decision making by the Board, HKEX has established the Group Escalation and Incident Reporting Policy to set out guidelines on handling critical concerns relating to the Group’s operations and performance. The Continuous Disclosure and Communication Policy is in place to ensure timely reporting of inside information to the Board and communication with the Group’s stakeholders, which together with other key features of the Board process are available on the HKEX Group website [CG](#).

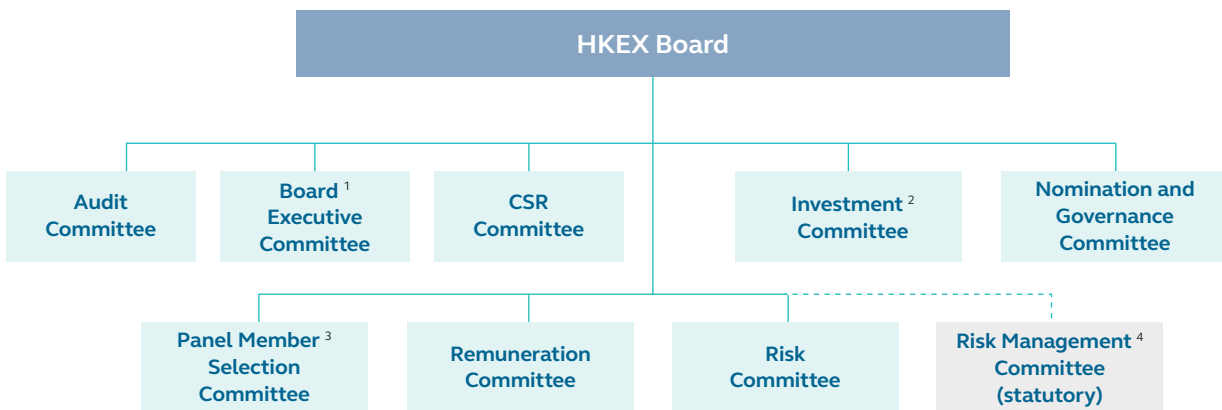
Group Company Secretary

All Directors have access to the advice and services of the Group Company Secretary. The Group Company Secretary reports to the Chairman on Board governance matters, and is

responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and management.

Joseph Mau is the Group Company Secretary of HKEX. His biography is set out in the Board of Directors and Senior Management section of this Annual Report. During 2019, Mr Mau had over 15 hours of professional training. David Fu has been appointed to succeed Mr Mau as the Group Company Secretary following Mr Mau’s retirement from HKEX effective 31 March 2020.

**Board Delegation
Committees**



- 1 Formerly known as the Executive Committee
- 2 Formerly known as the Investment Advisory Committee
- 3 Formerly known as the Panel Member Nomination Committee
- 4 A statutory committee established under Section 65 of the SFO

The Board has delegated authority to various committees to deal with specific matters under defined terms of reference. The composition and terms of reference of the Board committees are reviewed and updated annually to ensure that they remain appropriate and in line with the Group’s business and changes in governance practices. The list of members of the Board committees is set out in the Board and Committees section of this Annual Report, and their attendance record is set out in “Board Process” above. More information about the Board committees is available on the HKEX Group website [CG/ORG](#).

International Advisory Council

HKEX established the International Advisory Council in February 2019 to provide the Board with insight and expertise from around the world, on business, economics, technology and finance, drawing on the extensive skills and experience of its members. The Council now comprises five members, and is chaired by HKEX Chairman. Three Council meetings were held in 2019.

Members of International Advisory Council

- Laura M CHA (Chairman)
- Stuart GULLIVER
- Mary SCHAPIRO
- Joseph TSAI
- Marcus WALLENBERG

Consultative Panels

HKEX has three Consultative Panels which provide market expertise and advice to the Board in relation to the trading and clearing in Hong Kong's securities and derivatives markets. The composition and terms of reference of the Consultative Panels are available on the HKEX Group website [ORG](#).

Number of Panel Meeting(s) Held in 2019

- | | |
|---|---|
| • Cash Market Consultative Panel | 1 |
| • Derivatives Market Consultative Panel | 3 |
| • Clearing Consultative Panel | 3 |

Management

Senior executives, under the leadership of the Chief Executive, are responsible for the day-to-day management of the Group's businesses and implementation of the strategies approved by the Board. The Management Committee, a management decision-making body chaired by the Chief Executive with defined authority delegated by the Board, aims to meet at least twice a month. Its membership as at the date of this report is set out in the Management Committee section of this Annual Report, and its duties are available on the HKEX Group website [ORG](#). A new Executive Committee,

which comprises the Chief Executive and selected members of the Management Committee, was established in February 2020 to supervise and coordinate all key business and operational activities in relation to the implementation of HKEX's Strategic Plan. Members of the Executive Committee as at the date of this report and their biographies are set out in the Board of Directors and Senior Management section of this Annual Report.

During 2019, several senior executives changes were made to support the Group's latest strategic focus. Details are set out in the Media Centre (News Release) section of the HKEX Group website. HKEX's updated organisation structure is available on the HKEX Group website [ORG](#).

The Board recognises the importance of continuity in senior executives and identifying leaders with appropriate skills and experience to support delivery of the Group's strategic initiatives. Succession planning for senior executives is considered by the Nomination and Governance Committee and the Board annually. A mentoring programme pairing selected senior executives with experienced Directors was launched in 2019 to enhance succession planning and strengthen link between senior executives and the Board.

Given the competitive business environment in which the Group operates, HKEX arranges professional development programmes for its senior executives from time to time to support its long-term growth and success. During 2019, the Senior Management received an aggregate of about 332 hours of training by attending or participating in conferences, seminars and workshops on various topics, including HKEX's strategy and business, development of the financial markets, regulatory compliance, ESG practices, risk management, information technology, leadership and management. Other employees of the Group also attended training throughout the year. Details are set out in the 2019 CSR Report.

Subsidiary Governance

HKEX is committed to fostering good governance and a strong compliance culture at all levels of the organisation. To ensure an integrated, Group-wide approach towards upholding high governance standards, efforts have been made to strengthen the governance structures and processes of HKEX's subsidiaries.

For effective oversight of its subsidiaries, HKEX promotes governance linkages within the Group through common memberships between the Board and the subsidiaries' boards/committees and appointment of HKEX's senior executives to the subsidiaries' boards. A list of HKEX subsidiaries' directors is set out in the Directors' Report contained in this Annual Report. Details about the governance structures of the Group's major subsidiaries (including composition and terms of reference of their boards and committees) are available on the HKEX Group website [ORG](#). Induction training and materials have been provided to subsidiaries' non-executive directors to facilitate their understanding of the Group's business and their duties and obligations as a director.

HKEX has implemented a number of Group-wide governance policies, which are subject to review from time to time, to support its commitment to high standards of business, professional and ethical conduct, and to ensure best practices across the organisation. During 2019, all the Group employees were required to complete training on risk awareness and compliance matters.

Key governance policies for employees

- Code of Conduct
- Continuous Disclosure and Communication Policy
- Group Anti-Bribery and Anti-Corruption Policy
- Group Personal Account Dealing Policy
- Group Prevention of Financial Crime Policy
- Group Whistleblowing Policy
- Group Compliance Policy

Information about the Group's governance policies and practices is available on the HKEX Group website [CG](#) / [CSR](#).

Conflict Management

As a recognised exchange controller, HKEX shall act in the interest of the public with particular regard to the interest of the investing public, and ensure that the interest of the public prevails where it conflicts with HKEX's interest. Given its role of being the exchange controller and a listed company, HKEX has implemented a number of measures to ensure a level playing field with other listed issuers. These include, among others, the entering into an MOU with the SFC and the Stock Exchange, the separation of the regulatory function, and the establishment of a Conflict Committee. More information about HKEX's public and corporate responsibilities and its conflict management measures is available on the HKEX Group website [CG](#).

The HKEX's Guidelines on Conduct as set out in the Director's Handbook also serve to provide guidance for Directors and committee members of the Group on the requirements to avoid conflict of interest and the circumstances under which appropriate action shall be taken by the director in conflict.

Remuneration of Directors and Senior Management

HKEX has formal and transparent procedures for fixing the remuneration packages of individual Directors and senior executives. Information about HKEX's remuneration policies and the Remuneration Committee, including its work in 2019/2020, is set out in the Remuneration Committee Report.

Directors' Securities Transactions and Interests in HKEX

Compliance with Model Code

HKEX has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code at all applicable times during 2019.

Directors' Interests and Short Positions in Shares and Underlying Shares of HKEX

The interests and short positions of Directors, including the Chief Executive, in the shares and underlying shares of HKEX (within the meaning of Part XV of the SFO) as at 31 December 2019 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEX and the SFC under the Model Code, are set out below.

Long Positions in Shares and Underlying Shares of HKEX

Name of Director	Number of shares/underlying shares held				Total	% of HKEX ¹ shares in issue
	Personal interests	Family interests	Corporate interests	Other interests		
Charles Li	515,112 ²	–	–	–	515,112	0.04
Stephen Yiu	–	2,000 ³	–	–	2,000	0.00

1 Based on 1,261,201,319 HKEX shares in issue as at 31 December 2019

2 Includes Mr Li's interests in Awarded Shares and shares acquired out of the dividends from the Awarded Shares in an aggregate of 407,375 shares which remained unvested under the Share Award Scheme. Details of Mr Li's Awarded Shares are set out in the Remuneration Committee Report.

3 Mr Yiu's spouse was the beneficial owner of those shares.

Save as disclosed above, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of HKEX or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2019 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEX and the SFC under the Model Code.

Apart from the Awarded Shares as disclosed in the Remuneration Committee Report, during 2019, none of the Directors (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of HKEX or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Other Persons' Interests and Short Positions in Shares and Underlying Shares of HKEX

Minority Controllers

As at the date of this report, other than the Government which has been a Minority Controller since 7 September 2007, nine entities had been approved as Minority Controllers on the basis that they hold HKEX shares in custody for their clients. According to the Participant Shareholding Report as at 31 December 2019, these Minority Controllers in aggregate held approximately 69 per cent of HKEX shares in issue. More information about Minority Controllers is set out on the HKEX Group website [CG](#).

Other persons' interests and short positions in the shares and underlying shares of HKEX (within the meaning of Part XV of the SFO) as at 31 December 2019 as recorded in the register required to be kept under Section 336 of the SFO are set out below.

Long Positions in Shares and Underlying Shares of HKEX

Name	Capacity	Number of shares/ underlying shares held	Total	% of HKEX ¹ shares in issue
The Government of the Hong Kong Special Administrative Region (for the account of the Exchange Fund)	Beneficial owner	74,840,961 ²	74,840,961	5.93

1 Based on 1,261,201,319 HKEX shares in issue as at 31 December 2019

2 Based on Hong Kong Monetary Authority's notification to HKEX on 4 June 2018

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of HKEX as at 31 December 2019 as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEX and the Stock Exchange.

Senior Management

All employees of the Group are obliged to follow the Company's restrictions on dealing in securities, futures contracts and other derivatives, which are on terms no less stringent than the Model Code, as set out in the Group Personal Account Dealing Policy. Senior Managements' interests in the shares and underlying shares of HKEX as at 31 December 2019 are set out below.

Senior Management	Number of shares held	Number of shares that remained unvested under the Share Award Scheme	Derivatives (number of underlying shares)
Matthew Chamberlain	–	72,066	–
Romnesh Lamba	127	49,445	–
Vanessa Lau	23,879	22,624	–
Calvin Tai	139,424	60,326	–
Wilfred Yiu	–	27,889	–

Continuing Connected Transactions

In June 2000, the SFC granted a waiver to HKEX from strict compliance with the Main Board Listing Rules with respect to certain continuing connected transactions as referred to in (A), (B) and (C) below. The waiver has remained valid since then. The following table sets out the types of the continuing connected transactions subject to the waiver, and details of any of these continuing connected transactions entered into by the Group during 2019.

- A. Transactions between HKEX or its subsidiaries and HKEX's connected person(s) arising from or in connection with the use of the facilities provided by the Group for the trading, clearing and/or settlement of securities and futures products and transactions, and all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing:
- The Group did not enter into any of the above transactions with HKEX's connected persons during 2019.
- B. Transactions between HKEX or its subsidiaries and HKEX's connected person(s) arising from or in connection with the listing of securities on the Stock Exchange, and all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing:
- Laura M Cha, the Chairman, was interested in the transactions entered into by HKR International Limited and Hanison Construction Holdings Limited, which are listed on the Stock Exchange and are Mrs Cha's associates by virtue of the Main Board Listing Rules.
- C. Transactions between HKEX or its subsidiaries and HKEX's connected person(s) arising from or in connection with the HKSCC arrangement on behalf of CCASS Participants for: (i) carrying out "buy-in" when a CCASS Participant has failed to deliver securities on time for settlement under the CNS System or the Isolated Trades System operated by CCASS; (ii) the purchase or sale of securities in connection with the liquidation of the positions of a CCASS Participant that has been declared by HKSCC to be in default; and (iii) the sale of entitlements of securities held through CCASS (collectively referred as Buy-in Transactions):
- The Group did not enter into any Buy-in Transactions with HKEX's connected persons during 2019.

The Board has delegated authority to the Audit Committee to review the above continuing connected transactions pursuant to Rule 14A.55 of the Main Board Listing Rules. The results of the Audit Committee's review are set out in the Audit Committee Report.

The Company's external auditor was engaged to report on the above continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external auditor has issued an unqualified report containing its findings and conclusions in respect of the transactions disclosed above in accordance with Rule 14A.56 of the Main Board Listing Rules. The Company provided a copy of the report to the SFC and the Stock Exchange.

Related Party Transactions

During 2019, the Group entered into certain transactions with “related parties” as defined under the applicable accounting standards. Related party transactions are disclosed in note 50 to the Consolidated Financial Statements. They include the following connected transactions under the Main Board Listing Rules.

Related party transactions which constitute connected transactions	Compliance with Main Board Listing Rules
Payment of membership fee by an associate of a Director to the LME as covered in note 50(a) to the Consolidated Financial Statements	This was a connected transaction exempt from the connected transaction requirements under Rule 14A.76(1) of the Main Board Listing Rules.
Compensation to the Chief Executive and the directors of HKEX’s subsidiaries and remuneration to HKEX’s Non-executive Directors, which form part of the “Key management personnel compensation” described in note 50(b) to the Consolidated Financial Statements	These were continuing connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) or 14A.95 of the Main Board Listing Rules.

Accountability and Audit

Financial Reporting

The Board, which is responsible for overseeing the preparation of annual financial statements, receives monthly management accounts and updates on the Group’s performance, financial position and prospects. In 2019, HKEX published its annual, interim and quarterly results within three months, two months and 45 days respectively after the relevant period end. In preparing the financial statements for the year ended 31 December 2019, the Board adopted appropriate accounting policies consistently, made prudent and reasonable judgements and estimates, and ensured that the financial statements were prepared on a going concern basis and show a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of the Group’s consolidated financial performance and cash flows for the year then ended.

Risk Management and Internal Control

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks (including ESG-related risks) it is willing to take in achieving the Group’s strategic objectives, maintaining sound and effective risk management and internal control

systems (including those for ESG-related risks) and reviewing their effectiveness to safeguard Shareholders’ investment and the Group’s assets. To this end, management continues to allocate resources for internal control and risk management systems based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework 2013 and the ISO 31000 Risk Management principles and guidelines to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. Details of the Group’s risk governance structure and the Group Risk Management Framework are set out in the Risk Committee Report. Details of the Group’s key control procedures and internal audit functions are available on the HKEX Group website [CG](#).

The Board reviews the adequacy and effectiveness of the Group’s risk management and internal control systems at least quarterly, through the Risk Committee and the Audit Committee. Information about the Risk Committee and the Audit Committee, including their work in 2019/2020, is set out in their respective reports contained in this Annual Report.

Independence of External Auditor

HKEX has engaged PricewaterhouseCoopers as its external auditor. An analysis of remuneration for audit and non-audit services provided by PricewaterhouseCoopers and details of the Audit Committee's work in assessing the independence of PricewaterhouseCoopers and ensuring audit effectiveness are set out in the Audit Committee Report.

Information about HKEX's policies and procedures in safeguarding and supporting the independence and objectivity of the external auditor is available on the HKEX Group website [CG](#).

Shareholder Relations

The Board gives high priority to maintaining balanced, clear and transparent communications with Shareholders and other investors to facilitate their understanding of the Group's performance and prospects as well as the market environment in which it operates. HKEX has an ongoing dialogue with Shareholders and other investors through various communication channels and takes any areas of concern into consideration when formulating its business strategies.

Investor Engagement and Communications

HKEX's investor relations team focuses on effective communication with and provision of relevant public information to investors and analysts to support the appropriate valuation of HKEX equity. Through an extensive engagement programme, institutional investors and analysts can interact with the Chairman and the Chief Executive and other senior executives for updates on the development of the Group's strategic initiatives and operations, as well as HKEX's corporate governance policies. During 2019, around 380 meetings were held with institutional investors and analysts in

Hong Kong, Mainland China and overseas.

To facilitate effective investor relations, regular shareholding analyses were conducted under Section 329 of the SFO to gain a better view of changes in HKEX's shareholding structure.

Investor Relations Activities in 2019

- Corporate Day
- Small group/one-to-one meetings
- Non-deal roadshows
- Analyst briefings
- Investor conferences

Investor Relations Contact Details

Email: investorrelations@hkex.com.hk

Tel: (852) 2840 3330

Investment community views are communicated regularly to the Board, including sell-side consensus rating and target price for HKEX shares and summaries of questions and feedback from investors and analysts. During 2019, investors' major areas of interest included:

- (i) HKEX Strategic Plan 2019-2021;
- (ii) Updates on financial performance of the Group;
- (iii) Proposed combination with LSEG; and
- (iv) Latest developments regarding the Group's initiatives, including Stock Connect, Bond Connect, ETF Connect, Primary Connect, FIC strategy, LME's initiatives, development of QME, the listing regime reform and data strategy.

To foster investors' understanding of the Group's governance performance, HKEX continues to provide related information to international and local ESG rating agencies upon request.

Shareholder Engagement and Communications

Corporate communications

- HKEX ensures prompt dissemination of corporate communications to enable Shareholders and other stakeholders to keep abreast of the Group's business and developments so that they can make informed decisions.
- The HKEX Group website has been adopted as the designated company website for publication of HKEX's announcements, notices and other corporate communications. As at 31 December 2019, about 70 per cent of Shareholders had opted to receive corporate communications via electronic means.

Financial key dates

- The financial calendar highlighting important dates for Shareholders in 2020 is set out in the Shareholder Information section of this Annual Report and is also available on the HKEX Group website [IR](#).

Scrip dividend scheme

- HKEX offers Shareholders the option of receiving their dividends in the form of scrip. Since 2015, the Board has offered a discount (currently at 3 per cent) on the subscription price to Shareholders who elect the scrip alternative to facilitate their reinvestment of their dividends in HKEX shares. Further details of the HKEX's dividend policy and scrip dividend scheme are set out in the Shareholder Information section of this Annual Report and are also available on the HKEX Group website [IR](#).

General meetings

- One or more Shareholders representing at least 5 per cent of the total voting rights of all Shareholders having a right to vote at general meetings may request the Board to call a general meeting. The request must state the general nature of the business to be dealt with, and it may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests must be sent to the Group Company Secretary at HKEX's registered office, or by email to ssd@hkex.com.hk.
- Under HKEX's Articles, if a Shareholder wishes to propose a person for election as a Director at a general meeting, he or she should give written notice of the nomination to the Group Company Secretary at HKEX's registered office. Details of the procedures for nominating candidates to stand for election as a Director at the 2020 AGM is set out in the circular to Shareholders to be sent together with this Annual Report.
- Shareholders may put forward proposals at general meetings by sending written notice of their proposals to the Group Company Secretary at HKEX's registered office, or by email to ssd@hkex.com.hk. Details of the procedures for putting forward proposals by Shareholders are set out on the HKEX Group website [CG](#).

Policies and guidelines

- The Shareholders Communication Policy ensures that Shareholders are provided with ready, equal and timely access to information about HKEX. The policy is regularly reviewed to ensure its effectiveness and is posted on the HKEX Group website [CG](#).
- The Shareholders' Guide with answers to the frequently asked questions of Shareholders with regard to their interests in HKEX shares is also available on the HKEX Group website [CG](#).

Shareholding analysis

- Based on publicly available information and within the Directors' knowledge as at the date of this report, approximately 100 per cent of the HKEX shares were held by the public. HKEX's market capitalisation and shareholding distribution as at 31 December 2019 are set out in the Shareholder Information section of this Annual Report.

Further information about the Group's stakeholder engagement activities in 2019 is set out in the 2019 CSR Report.

The Board is grateful to Shareholders and other stakeholders for their continued support and welcomes their views as well as any questions they may have about the management and governance of the Group. Shareholders and

other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to the Group Company Secretary and sending them by post to the Secretarial Services Department, HKEX, 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, or by email to ssd@hkex.com.hk.

2019 Annual General Meeting

HKEX uses the AGM as a forum to establish constructive dialogue with Shareholders.

Separate resolutions are proposed on each substantially separate issue, with all resolutions considered in a poll conducted by HKEX's registrar and verified by an independent scrutineer. Electronic voting is used at the AGMs to enhance efficiency and transparency of the vote counting process.

Most of the Directors in office on the meeting date, including the Chairman and the chairmen of the Audit Committee and other Board committees, attended the 2019 AGM along with key senior executives and the external auditor.

The voting results and the minutes of the 2019 AGM are available on the HKEX Group website [IR](#).

2019 AGM

Total number of participants: 320

Shares voted: 42.2 per cent of total issued shares

Individual Shareholders	98
Authorised representatives of HKSCC Nominees Limited	139
Shareholders appointing representatives/proxies to attend the 2019 AGM	83

Key Matters Resolved at the 2019 AGM ¹

- Receipt of the 2018 audited financial statements
- Re-election of Apurv Bagri as Director
- Re-appointment of PricewaterhouseCoopers as the Company's auditor
- Granting a general mandate to buy back HKEX shares (not exceeding 10 per cent of the number of shares in issue)
- Granting a general mandate to issue HKEX shares (not exceeding 10 per cent of the number of shares in issue and at a price not exceeding a discount of 10 per cent)
- Adjustment of Non-executive Directors' remuneration

¹ The full text of the resolutions is set out in the Notice of the 2019 AGM.

2020 Annual General Meeting

The 2020 AGM will be held on Thursday, 7 May 2020 at 4:30 pm at the HKEX Connect Hall on the 1st Floor, One and Two Exchange Square, Central, Hong Kong. The Notice of the 2020 AGM, which constitutes part of a circular to Shareholders, will be sent together with this Annual Report. The Notice, the circular which sets out details of the business to be conducted at the 2020 AGM, and the proxy form will be available on the HKEX Group website [IR](#). The results of the voting on the proposed resolutions will be published on the HKEX Group website [IR](#) shortly after the 2020 AGM is held.

All Shareholders are encouraged to attend the 2020 AGM and exercise their right to vote. Shareholders are invited to ask questions related to the business of the meeting, and will be able to meet with Directors and the senior executives.

Changes after Closure of Financial Year

This report takes into account the changes that occurred between the end of 2019 and the date of the approval of this report.

On behalf of the Board
MAU Kam Shing, Joseph
 Group Company Secretary

Hong Kong, 26 February 2020