

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 one meeting in 2017. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

Summary of Work in 2017/2018

- Nominated Board candidates for election by Shareholders at the AGM
 - Reviewed the independence of the INEDs
 - Reviewed time commitment of Directors for performance of their responsibilities
 - Reviewed the succession plan for the Board
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Changes in Directors during 2017

In March 2017, the Government appointed Stephen Yiu and re-appointed Anita Fung, Rafael Gil-Tienda and Margaret Leung to the Board, each for a term of approximately two years from the close of the 2017 AGM until the conclusion of the AGM in 2019.

At the 2017 AGM, C H Cheah and Hugo Leung were elected by Shareholders for a term of approximately three years from 26 April 2017 until the conclusion of the AGM in 2020. John Harrison, Bill Kwok and Vincent Lee retired from the Board after the conclusion of the 2017 AGM.

Retiring Directors

The service term of C K Chow and Tim Freshwater (Government Appointed Directors), and T C Chan, Fred Hu and John Williamson (Elected Directors) will expire at the conclusion of the 2018 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](#). As part of the Board's succession planning, the Nomination Committee reviews the Board structure, size and diversity annually and considers any proposed changes to the Board composition.

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.

Nomination of Candidates

On 14 February 2018, the Nomination Committee, having reviewed the Board's composition, nominated T C Chan, Fred Hu and John Williamson to the Board for it to recommend to Shareholders for re-election at the 2018 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. The Nomination Committee had also taken into account the respective contributions of Mr Chan, Dr Hu and Mr Williamson to the Board and their firm commitment to their roles, and it was satisfied with their independence having regard to the criteria laid down in the Main Board Listing Rules. Mr Chan, who is a member of the Nomination Committee, abstained from voting at the Committee meeting when his own nomination was being considered.

Mr Chan, Dr Hu and Mr Williamson 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. Non-executive Directors' independence is assessed upon appointment, annually and at any other time where the circumstances warrant reconsideration.

Assessment upon Director's Appointment

Each of C H Cheah, Hugo Leung and Stephen Yiu, 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 respective interest in a company which has certain business dealings with the Group (as stated below):
 - Mr Cheah is the chairman and co-chief investment officer of Value Partners Group Limited, a company listed on the Stock Exchange, in which he holds less than 30 per cent of the issued shares.
 - Mr Leung is a director and the chief executive officer of BNP Paribas Securities (Asia) Limited, which is an EP and CP.
 - Mr Yiu is a non-executive director of China Mobile Limited, a company listed on the Stock Exchange.

Each of Messrs Cheah, Leung and Yiu considered that his respective interest in the relevant company as stated above 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 2017.
- 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 69 and 70 of this Annual Report.

On 14 February 2018, 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 T C Chan and John Williamson, who will have served on the Board for more than nine years by the end of the 2018 AGM.
 - 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.
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CHOW Chung Kong

Chairman of the Nomination Committee

Hong Kong, 14 February 2018