

Nomination and Governance Committee Report

The Nomination and Governance Committee

The Nomination and Governance Committee (NGC) (formerly known as the Nomination Committee) is delegated with the authority from the Board to review the Board's composition and diversity, formulate and implement the policy for nominating Board candidates for election by Shareholders, make recommendations to the Board on the appointment of Directors and members to the Board committees, and assess INED's independence and commitment. The NGC is also responsible for succession planning for Directors and senior management, leadership training and development, and oversight of matters relating to corporate governance. Its terms of reference are available on the HKEX Group website [ORG](#).

The NGC comprises five INEDs whose names and biographies are set out in the Board and Committees section of this Annual Report. The NGC held four meetings in 2018. Members' attendance records are in the Corporate Governance Report contained in this Annual Report.

Summary of Work in 2018/2019

- Endorsed revisions to the NGC's terms of reference to expand its scope of responsibilities to cover corporate governance oversight
 - Endorsed revisions to the Board Diversity Policy and the Nomination Policy
 - Approved the plan to conduct an internally led evaluation of the performance of the Board and its governance committees in 2018 and reviewed the evaluation results
 - Reviewed the composition of the Board and its committees
 - Nominated Board candidates for election by Shareholders at AGMs
 - Considered the requirements for candidates to be appointed as Government Appointed Directors
 - Recommended the appointment of Directors to the Board committees and the Consultative Panels
 - Reviewed the independence of the INEDs
 - Reviewed the time commitment of Directors for performance of their responsibilities
 - Reviewed the succession plans for the Board and Senior Management
 - Reviewed the training and continued professional development of the Directors and Senior Management
 - Endorsed the annual Corporate Governance Report
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Changes in Directors during 2018

In February 2018, the Government appointed Laura M Cha and Benjamin Hung to the Board, each for a term of approximately two years from the close of the 2018 AGM until the conclusion of the AGM in 2020.

At the 2018 AGM, T C Chan, Fred Hu and John Williamson were re-elected by Shareholders for a term of approximately three years from 25 April 2018 until the conclusion of the AGM in 2021. C K Chow and Tim Freshwater retired from the Board after the conclusion of the 2018 AGM.

Board Composition and 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. During 2018, the NGC reviewed the structure, size and diversity of the Board to ensure that its composition complies with the Listing Rules and reflects an appropriate mix of skills, experience and diversity that are relevant to HKEX's strategy, governance and business and contribute to the Board's effectiveness and efficiency. Information about the Board's current composition, including a Directors' skill matrix, is set out in the Corporate Governance Report contained in this Annual Report.

In 2018, the NGC endorsed, and the Board approved, changes to the Board Diversity Policy, after taking into account the Exchange's recent guidelines on board diversity as well as the Directors' comments from the 2018 Board evaluation. The revised Board Diversity Policy, which is available on the HKEX Group website [CG](#), highlights the benefits of diversity with respect to the Board's effectiveness and decision-making process, its succession planning and development, and attainment of HKEX's strategic objectives. The Policy also sets out the Board's commitment to gender diversity and other diversity aspects, with the ultimate goal of achieving gender parity on the Board. HKEX currently has three female Directors, and the Board will take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

To further enhance Board diversity while maintaining an appropriate balance between continuity of experience and Board refreshment, the NGC endorsed, and the Board approved, amendments to the Nomination Policy by reducing the maximum tenure that Non-executive Directors are eligible for shareholder election from 12 consecutive years to nine consecutive years. The revised Nomination Policy is available on the HKEX Group website [CG](#).

Nomination of Candidate

The service term of Anita Fung, Rafael Gil-Tienda, Margaret Leung and Stephen Yiu (Government Appointed Directors), and Apurv Bagri (Elected Director) will expire at the conclusion of the 2019 AGM. The NGC has considered the requirements for candidates to be appointed as Government Appointed Directors.

On 26 February 2019, the NGC, having reviewed the Board's composition, nominated Apurv Bagri to the Board for it to recommend to Shareholders for re-election at the 2019 AGM. Mr Bagri, who is a member of the NGC, abstained from voting on the nomination when it was being considered.

The nomination was made in accordance with the Nomination Policy and took into account the diversity aspects (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 NGC also took into account Mr Bagri's vast experience in the non-ferrous metals futures trading business and his contributions to the Board. The NGC was satisfied with Mr Bagri's independence with reference to the criteria laid down in the Main Board Listing Rules.

Mr Bagri does not hold any cross-directorships or have any significant links with other Directors through involvement in other companies or bodies. He does 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). His particulars are 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

Independent Directors enhance the effectiveness and decision-making of the Board by providing objective judgement and constructive challenge to 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

Laura M Cha and Benjamin Hung, upon appointment, confirmed their respective independence in writing to the SFC.

Ongoing Assessment

- Each INED is required to inform HKEX as soon as practicable if there is any change in his or her personal particulars that may affect his or her independence. No such notification was received during 2018.
 - Details of the Director's interests in the Group's business are set out on pages 88 and 89 of this Annual Report.
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On 26 February 2019, the NGC 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 NGC member abstained from assessing his/her own independence.
 - Particular attention was given to assessing the independence of the Government Appointed Directors (including Laura M Cha, 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 have been serving on the Board for more than nine years.
 - The NGC 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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Laura M CHA

Chairman of the Nomination and Governance Committee

Hong Kong, 26 February 2019