

# Nomination and Governance Committee Report

## The Nomination and Governance Committee

The Nomination and Governance Committee (NGC) is delegated with the authority by 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 executives, leadership training and development, and oversight of matters relating to corporate governance. Its terms of reference are available on the HKEX Group website [OS](#).

The NGC comprises six INEDs whose names and biographies are set out in the Board and Committees section of this Annual Report. The NGC held six meetings in 2022. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

### Summary of Work in 2022/2023

- Approved engagement of an external consultant to conduct an independent evaluation of the performance of the Board and the board of OTC Clear and their governance committees in 2022; and reviewed the evaluation results
- Reviewed the composition of the Board and its committees
- Nominated Board candidates for election/re-election by Shareholders at AGMs
- Recommended the appointment of Directors to the Board committees
- Reviewed the independence of the INEDs
- Reviewed the external appointments of Directors
- Reviewed the time commitment of Directors for performance of their responsibilities
- Reviewed succession planning of the Board and the senior executives
- Endorsed appointments to Senior Management
- Reviewed the NGC's terms of reference
- Reviewed the policy on acceptance of external directorships and other appointments by directors of HKEX and its subsidiaries
- Reviewed the training and continued professional development of the Directors and Senior Management
- Endorsed the annual Corporate Governance Report

## Changes in Non-executive Directors during 2022

In February 2022, the Government re-appointed Laura M Cha, Susan Chow, and Benjamin Hung to the Board, each for a term of approximately two years from the conclusion of the 2022 AGM until the conclusion of the AGM in 2024.

At the 2022 AGM, Apurv Bagri was re-elected by Shareholders for a term of approximately three years from 27 April 2022 until the conclusion of the AGM in 2025.

## 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. Since 2013, HKEX has followed the Board Diversity Policy, which is available on the HKEX Group website [CG](#). The Policy 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, and sets out the Board's commitment to gender diversity and other diversity aspects. Throughout 2022, and up to the date of this report, the Board had four female Directors, representing 31 per cent of the Board. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. The Board will continue to seek 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, HKEX sets out in the Nomination Policy a non-exhaustive list of criteria for the NGC to assess suitability of a proposed Non-executive Director candidate and a maximum tenure of nine consecutive years for Non-executive Directors to be eligible for the Board's nomination for re-election by Shareholders. The Nomination Policy is available on the HKEX Group website [CG](#).

During 2022, the NGC reviewed the structure, size, and diversity of the Board as well as the selection criteria for Non-executive Director candidate(s) and the Board Diversity Policy, to ensure that the Board's composition complies with the Main Board 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' skills matrix, is set out in the Corporate Governance Report contained in this Annual Report.

## Nomination of Candidates

The service term of Nisa Leung, Rafael Gil-Tienda and Stephen Yiu (Government Appointed Directors), and C H Cheah and Hugo Leung (Elected Directors) will expire at the conclusion of the 2023 AGM.

During 2022, in considering the Board's succession, the NGC engaged an independent professional search firm to help identify potential Non-executive Director candidates to meet the strategic objectives of the Group and promote diversity (including gender diversity) on the Board. The NGC reviewed the profiles of the candidates, with regard to the Board's current composition, the Directors' skills matrix, the list of selection criteria for Non-executive Directors that have been approved by the Board, the Nomination Policy, and the Board Diversity Policy. The NGC also arranged interviews with the shortlisted candidates individually.

The Government has appointed Carlson Tong and Joseph Yam and re-appointed Nisa Leung as members of the Board, each for a term of approximately two years from the conclusion of the 2023 AGM to be held on 26 April 2023 until the conclusion of the AGM to be held in 2025.

On 22 February 2023, the NGC nominated C H Cheah and Hugo Leung to the Board for it to recommend to Shareholders for re-election at the 2023 AGM. Mr Cheah, who is a member of the NGC, abstained from voting at the Committee meeting when his own nomination was being considered.

The nominations were made in accordance with the Nomination Policy and took into account the approved selection criteria for Non-executive Director candidate(s). These include, among others, the candidates' market knowledge and experience, reputation for integrity, and 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 in the Board Diversity Policy. The NGC took into consideration Mr Cheah's in-depth knowledge of the fund management industry and Mr Leung's extensive experience in the global markets business, as well as their respective contributions to the Board and firm commitments to their roles. The NGC also considered that their re-election as Directors would provide a diversity of skills, expertise and background to the Board, which would benefit the future development of HKEX. The NGC was satisfied with the independence of Mr Cheah and Mr Leung with reference to the criteria laid down in the Main Board Listing Rules.

Neither Mr Cheah nor Mr Leung holds any cross-directorships nor has any significant links with other Directors through involvement in other companies or bodies. Mr Cheah and Mr 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](#).

## Board Independence

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.

### 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 2022.
- Details of the Director's interests in the Group's business are set out on pages 91 and 92 of this Annual Report.

On 22 February 2023, 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 was an Executive Councillor up to 30 June 2022) given that the Government is a Minority Controller of HKEX.
- 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.

The NGC also reviewed and considered that the following key features or mechanisms under HKEX's Board and governance structure are effective in ensuring that independent views and input are provided to the Board.

<b>Board and Committees' structure</b>	<ul style="list-style-type: none"> <li>• Since its listing, HKEX has been steered by a Board, comprising a majority of Non-executive Directors. The HKEX Chief Executive Officer is the only Executive Director on the Board, and all the remaining 12 Directors, including the HKEX Chairman, are INEDs, who are independent of and not related to each other and any members of the Senior Management.</li> <li>• Members of all governance related committees are INEDs.</li> <li>• Separation of the role of the Chairman and the Chief Executive Officer ensures that there is a balance of power and authority.</li> </ul>
<b>Non-executive Directors' tenure</b>	<ul style="list-style-type: none"> <li>• The Nomination Policy sets a maximum tenure of nine consecutive years for Non-executive Directors to be eligible for nomination by the Board to stand for re-election by Shareholders.</li> </ul>
<b>Non-executive Directors' remuneration</b>	<ul style="list-style-type: none"> <li>• Non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committee(s) as appropriate, and are not entitled to participate in the Share Award Scheme. Information about the Directors' remuneration is set out in the Remuneration Committee Report and note 15 to the Consolidated Financial Statements.</li> </ul>
<b>Appointment of Non-executive Directors</b>	<ul style="list-style-type: none"> <li>• Independent professional search firm(s) is/are engaged from time to time to help identify potential candidates for appointment of Non-executives Directors.</li> <li>• In assessing suitability of the candidates, the NGC reviews their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skills matrix, the list of selection criteria approved by the Board, the Nomination Policy and the Board Diversity Policy.</li> </ul>

<b>Annual review of Non-executive Directors' commitment and independence</b>	<ul style="list-style-type: none"> <li>• The NGC reviews annually each Director's time commitment to HKEX's business. Directors' attendance records in 2022 are disclosed in the Corporate Governance Report contained in this Annual Report.</li> <li>• Non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration.</li> </ul>
<b>Conflict management</b>	<ul style="list-style-type: none"> <li>• The HKEX's Guidelines on Conduct contained in the Director's Handbook provide guidance to directors and committee members of the Group on avoiding conflicts of interest and on the circumstances under which appropriate action(s) shall be taken by the director in conflict. More information about the Group's conflict management measures is set out in the Conflict Management section of the Corporate Governance Report contained in this Annual Report.</li> </ul>
<b>Professional advice</b>	<ul style="list-style-type: none"> <li>• To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Group Company Secretary or the in-house legal team as well as from independent professional advisers at the Company's expense.</li> </ul>
<b>Board evaluation</b>	<ul style="list-style-type: none"> <li>• The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance. Further details relating to Board evaluation are set out in the Board Effectiveness section of the Corporate Governance Report contained in this Annual Report.</li> </ul>

**Laura M CHA**

Chairman of the Nomination and Governance Committee

Hong Kong, 22 February 2023