

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 2020. Members' attendance records are in the Corporate Governance Report contained in this Annual Report.

Summary of Work in 2020/2021

- Reviewed the results of the internally led evaluations of the boards of HKEX, OTC Clear, the LME, and LME Clear and their respective governance committees
 - 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 and the Consultative Panels
 - Reviewed the independence of the INEDs
 - Considered amendments to the policy on acceptance of external directorships and other appointments by directors of HKEX and its subsidiaries
 - 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
 - Reviewed the NGC's terms of reference
 - 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 2020

In February 2020, the Government appointed Susan Chow and re-appointed Laura M Cha and Benjamin Hung to the Board, each for a term of approximately two years from the close of the 2020 AGM until the conclusion of the AGM in 2022.

At the 2020 AGM, C H Cheah and Hugo Leung were re-elected by Shareholders for a term of approximately three years from 7 May 2020 until the conclusion of the AGM in 2023.

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. It 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, 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 2020, the NGC reviewed the structure, size, and diversity of the Board to ensure that its 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' skill matrix, is set out in the Corporate Governance Report contained in this Annual Report.

Nomination of Candidates

The service term of Anita Fung, Rafael Gil-Tienda, and Stephen Yiu (Government Appointed Directors), and T C Chan, Fred Hu, and John Williamson (Elected Directors) will expire at the conclusion of the 2021 AGM. Mr Chan and Mr Williamson, who will have served on the Board for 12 consecutive years as at the 2021 AGM, are not eligible for nomination under the Nomination Policy for re-election and will retire at the conclusion of the 2021 AGM. Dr Hu has decided not to offer himself for re-election at the 2021 AGM.

During 2020, in considering the Board's succession, the NGC engaged an independent professional search firm to help identify potential candidates for Non-executive Directors. The NGC reviewed the profiles of the candidates, having regard to the Board's current composition, the Directors' skill 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, and arranged interviews with the shortlisted candidates individually.

On 5 February 2021, the Government appointed Nisa Leung and re-appointed Rafael Gil-Tienda and Stephen Yiu as members of the Board, each for a term of approximately two years from the conclusion of the 2021 AGM to be held on 28 April 2021 until the conclusion of the AGM to be held in 2023.

On 23 February 2021, the NGC nominated Nicholas Allen, Anna Cheung and Zhang Yichen to the Board for it to recommend to Shareholders for election at the 2021 AGM. The nominations were made in accordance with the Nomination Policy and took into account the merits of the candidates including, among others, their market knowledge and experience, reputation for integrity, and the diversity aspects (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, and knowledge), with due regard for the benefits of diversity, as set out in the Board Diversity Policy.

Given the background and past experience of the three candidates, in particular, Mr Allen's accounting expertise and vast experience in securities and regulatory matters, Ms Cheung's extensive business strategic and operational experience, and Mr Zhang's in-depth knowledge in the Mainland's capital markets, it is considered that their appointment would further enhance the Board's diversity and performance and benefit the future development of HKEX. The NGC was satisfied with the independence of Mr Allen, Ms Cheung and Mr Zhang with reference to the criteria laid down in the Main Board Listing Rules.

Each of Mr Allen, Ms Cheung and Mr Zhang does not hold any cross-directorships or have any significant links with other Directors through involvement in other companies or bodies. Mr Allen, Ms Cheung and Mr Zhang 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

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

An independence confirmation by Susan Chow was submitted in writing to the SFC upon her appointment to the Board in May 2020.

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 2020.
 - Details of the Director's interests in the Group's business are set out on pages 91 and 92 of this Annual Report.
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On 23 February 2021, 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, 23 February 2021