

# Nomination and Governance Committee Report

## The Nomination and Governance Committee

The Nomination and Governance Committee (NGC) 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 executives,

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 five meetings in 2019. Members' attendance records are in the Corporate Governance Report contained in this Annual Report.

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### Summary of Work in 2019/2020

- Approved engagement of an external consultant to conduct an independent evaluation of the performance of the Board and the boards of LME and LME Clear and their governance committees in 2019, and reviewed the evaluation results
  - Reviewed the composition of the Board and its committees
  - Nominated Board candidates for 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 the policy for directors of HKEX and its subsidiaries to accept directorship in an unlisted company with significant business dealings with the Group
  - Reviewed the time commitment of Directors for performance of their responsibilities
  - Reviewed succession planning of the Board and the senior executives
  - Approved launch of a new mentoring program for senior executives
  - Approved the Directors' Training Guidelines
  - Reviewed and endorsed revisions to 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 2019

In March 2019, the Government appointed the late Mary Ma and re-appointed Anita Fung, Rafael Gil-Tienda and Stephen Yiu to the Board, each for a term of approximately two years from the close of the 2019 AGM until the conclusion of the AGM in 2021. A casual vacancy for a Government Appointed Director arose on the Board due to the passing of Ms Ma in August 2019.

At the 2019 AGM, Apurv Bagri was re-elected by Shareholders for a term of approximately three years from 24 April 2019 until the conclusion of the AGM in 2022. Margaret Leung retired from the Board after the conclusion of the 2019 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. 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 two 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 nomination by the Board to be elected by Shareholders. The Nomination Policy is available on the HKEX Group website [CG](#).

During 2019, 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

During 2019, the NGC endorsed, and the Board approved, the selection criteria for Non-executive Director candidates, after taking into account the Nomination Policy, the Board Diversity Policy and the independent external consultant's recommendations from the evaluation of the Board's performance in 2019.

The service term of Laura M Cha and Benjamin Hung (Government Appointed Directors), and C H Cheah and Hugo Leung (Elected Directors) 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 to be held on 7 May 2020 until the end of the AGM to be held in 2022.

On 25 February 2020, the NGC nominated C H Cheah and Hugo Leung to the Board for it to recommend to Shareholders for re-election at the 2020 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 candidates. 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 global markets business, as well as their respective contributions to the Board and firm commitments to their roles. The NGC was satisfied with the independence of Messrs Cheah and Leung with reference to the criteria laid down in the Main Board Listing Rules.

Each of Messrs Cheah and Leung does not hold any cross-directorships or have any significant links with other Directors through involvement in other companies or bodies. Messrs Cheah and 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 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.

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### Assessment upon Director's Appointment

An independence confirmation by the late Mary Ma was submitted in writing to the SFC upon her appointment to the Board in April 2019.

### 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 2019.
- Details of the Director's interests in the Group's business are set out on pages 89 and 90 of this Annual Report.

On 25 February 2020, 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.

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### 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.

### Laura M CHA

Chairman of the Nomination and Governance Committee

Hong Kong, 25 February 2020