

# Remuneration Committee Report

## The Remuneration Committee

The Remuneration Committee (RC) is delegated with the authority by the Board to establish, review, and make recommendations to the Board on the Group's remuneration policy and practices. The RC ensures that all employees and Executive and Non-executive Directors are appropriately remunerated in accordance with the Group's strategy as well as its long-term and short-term performance. Its terms of reference are available on the HKEX Group website [OS](#).

The RC comprises six INEDs whose names and biographies are set out in the Board and Committees section of this Annual Report. The RC held five meetings in 2020. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

## Summary of Work in 2020/2021

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- Recommended the Group's Clawback Policy, which took effect in November 2020 upon approval by the Board
  - Reviewed the achievements of HKEX Chief Executive and recommended to the Board the appropriate compensation arrangement for Charles Li in association with his retirement on 31 December 2020
  - Reviewed and recommended to the Board the compensation arrangement for HKEX Interim Chief Executive
  - Recommended the corporate performance scorecard for the Group
  - Recommended the 2020 performance bonus and share award pools as well as the 2021 salary adjustment budget for the Group's employees
  - Determined the 2020 performance bonus and share award for HKEX's selected senior executives, taking into account their individual performance and market benchmarking information
  - Reviewed the remuneration of non-executive directors of HKEX, the LME, LME Clear and OTC Clear
  - Reviewed the RC's terms of reference
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## Non-executive Directors' Remuneration

### Objective

- To remunerate Non-executive Directors at an appropriate level for their commitment to HKEX and to attract and retain high calibre and experienced individuals to oversee HKEX's business and development
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### Policy

- To conduct regular review with reference to companies with comparable business or scale and recommend remuneration adjustments, if appropriate
  - To seek the Board's endorsement and Shareholders' approval of any recommended changes
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### Annual Review for 2021/2022

- McLagan was engaged to conduct a detailed study of market practices on chairman's and non-executive directors' fees for HKEX and its certain subsidiaries in February 2020, with benchmarks covering listed exchanges, selected major banks, and constituent companies of the FTSE 100 Index and the HSI.
  - The RC has resolved that market study on non-executive directors' remuneration will be conducted in alternate years, and on a needed basis as requested by the RC or the Board.
  - In February 2021, the RC reviewed the current remuneration levels for Non-executive Directors. Based on the results of the review, the RC recommended that the remuneration for Non-executive Directors remain unchanged for 2021/2022.
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## Non-executive Directors' Remuneration for 2021/2022

	\$
Board	
– Chairman	3,300,000
– Other Non-executive Director	850,000
Audit Committee, Board Executive Committee, Investment Committee, Remuneration Committee and Risk Committee	
– Chairman	250,000
– Other member	160,000
Corporate Social Responsibility Committee, and Nomination and Governance Committee	
– Chairman	200,000
– Other member	160,000

Non-executive Directors are not entitled to participate in the Share Award Scheme.

The emoluments of the Non-executive Directors in 2019 and 2020 for their service on the Board and, where applicable, on its committees and the board and committees of HKEX's subsidiaries are set out below.

	2020 \$	2019 \$
Apurv Bagri	1,010,000	940,000
Laura M Cha	4,930,730	4,609,318
T C Chan	1,354,000	1,286,000
C H Cheah	1,580,000	1,524,500
Susan Chow	788,000	–
Anita Fung	1,182,000	1,134,000
Rafael Gil-Tienda	1,945,069	1,750,500
Fred Hu	1,276,667	1,123,000
Benjamin Hung	1,124,667	973,000
Hugo Leung	1,536,122	1,508,774
John Williamson	1,755,328	1,966,000
Stephen Yiu	2,881,242	2,768,604
<b>Total</b>	<b>21,363,825</b>	<b>20,270,945</b> <sup>1</sup>

<sup>1</sup> Include remuneration of \$274,500 paid to Margaret Leung who retired on 24 April 2019, and of \$412,749 paid to Mary Ma who passed away on 31 August 2019.

Further details of the Directors' emoluments are set out in note 15 to the Consolidated Financial Statements.

## Employees' Remuneration

### Objective

- To ensure that employees are remunerated equitably and competitively with consideration of the achievement of their individual performance goals, the key business objectives at corporate level, and the market conditions

### Policy

- To recommend, based on up-to-date market information, the appropriate salary adjustments, if any, for the Board's approval
- To evaluate the corporate performance based on a set of pre-determined indicators and to recommend the appropriate level of performance bonus and share award pools, if any, for the year to the Board
- To consult with HKEX Chief Executive about the performance of the members of the Senior Management and other senior executives and to ensure that they are remunerated equitably and in accordance with the established guidelines
- To review and recommend the remuneration of HKEX Chief Executive to the Board. As a good corporate governance practice, HKEX Chief Executive is not involved in the Board's discussion and decision.

### Review for 2020/2021

- Based on the RC's recommendation, the Board approved in November and December 2020:
  - a base salary adjustment and promotion increase effective January 2021. The salary adjustment took into consideration the competitive positioning, the cost of living and the projected pay increase in the financial services industry;
  - a discretionary performance bonus for eligible employees in recognition of their contributions in 2020;
  - a discretionary award for the purchase of HKEX shares pursuant to the Share Award Scheme for 444 selected employees and for selected employees to be recruited in 2021; and
  - the compensation arrangements for HKEX Chief Executive in association with his retirement on 31 December 2020.
- The performance cash bonus and share award pools for the Group's employees were determined based on the overall achievements with respect to the following on the corporate performance scorecard:

### Performance Measures

Financial	Strategic	Market & Regulatory	Organisational Development
<ul style="list-style-type: none"> <li>Relative to selected peers of other global exchanges:               <ul style="list-style-type: none"> <li>Performance in principal market activities</li> </ul> </li> <li>Relative to budget and prior year:               <ul style="list-style-type: none"> <li>Revenue and profit performance</li> <li>Profit margin</li> <li>Overall cost/income ratio</li> </ul> </li> <li>Relative to budget:               <ul style="list-style-type: none"> <li>Absolute expenses excluding incentives</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Key initiatives from HKEX Strategic Plan 2019-2021:               <ul style="list-style-type: none"> <li>Listing</li> <li>Hong Kong Cash &amp; Derivatives Markets</li> <li>China Connectivity</li> <li>Global Initiatives</li> <li>Technology</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Completion of regulatory action required to manage the impact of Brexit and relevant EU regulations</li> <li>Listing regulation enhancement</li> <li>System stability &amp; reliability</li> <li>Market structure reform</li> <li>Stakeholder relationship management with a focus on enhancing awareness/recognition among the Mainland investment community</li> <li>Default management enhancements for exchange traded products</li> <li>Security control enhancements</li> </ul>	<ul style="list-style-type: none"> <li>Talent Retention and Development</li> <li>Succession Planning and Organisational Development</li> <li>Culture and Values</li> <li>CSR</li> </ul>

### Weighting for performance bonus and share award in 2020

#### Performance bonus



#### Share award



- Employees had to undergo a thorough annual performance appraisal process in which their performances were assessed according to the pre-determined and agreed work objectives before they were given their performance ratings (on a five-point scale) for the year. An additional multi-rater appraisal process was applied to employees at management level to ensure the assessment was multi-dimensional.
- Distribution matrices referencing to the employee's grade and year-on-year rating changes were set up to guide managers in the allocation of performance bonuses and share awards to individual employees. Managers were allowed to make adjustments to account for other factors, including overall total compensation position (ie, base salary plus the performance bonus and share award, if applicable), internal pay levels and external remuneration benchmarks.
- To enhance the governance of HKEX's senior executive compensation, a clawback policy was introduced on 11 November 2020 ("Clawback Policy"). Under the Clawback Policy, incentive payments to the most senior level of executives of the HKEX Group, whether in form of cash or share-based awards, are subject to clawback under special circumstances according to the policy, including but not limited to where there has been a material misstatement or omission in the financial reports of the HKEX Group, or if the relevant senior executive has engaged in serious negligence, fraud, or misconduct. Any clawback action may be determined by the RC in respect of any short-term incentives paid and/or any share award granted to a senior executive within the period of three years immediately preceding the date on which the RC determines such action.

Further details of HKEX's remuneration policy and structure are available on the HKEX Group website [CG](#).

As at 31 December 2020, the Group had 2,204 permanent employees and 188 temporary employees.

A performance development process is in place to ensure that employees' performance objectives are defined, their performance progress is tracked, and training and development opportunities are identified for them. Employee training details are set out in the 2020 CSR Report.

## Emoluments for 2020

### Executive Director

	2020					2019	2020	
	Salary \$	Cash <sup>1</sup> bonus \$	Other <sup>2</sup> benefits \$	Retirement <sup>3</sup> benefit costs \$	Director's fee \$	Total <sup>4</sup> \$	Total <sup>4</sup> \$	Share award benefits <sup>5</sup> \$
<b>HKEX Chief Executive</b>								
Charles Li <sup>1</sup>	9,315,000	80,700,000	5,368,799	1,332,525	-	96,716,324	26,843,433	23,773,221

### Senior Management

	2020					2019	2020
	Salary \$	Cash <sup>6</sup> bonus \$	Other <sup>2</sup> Benefits \$	Retirement <sup>3</sup> benefit costs \$	Total <sup>4</sup> \$	Total <sup>4</sup> \$	Share award benefits <sup>5,6</sup> \$
Matthew Chamberlain <sup>7</sup>	3,733,403	3,566,158	537,331	39,823	7,876,715	9,809,278	6,879,123
Bonnie Y Chan <sup>8</sup>	4,308,387	4,250,000	36,318	430,839	9,025,544	-	133,745
Romnesh Lamba	4,691,040	5,300,820	60,598	586,380	10,638,838	13,013,580	4,670,210
Vanessa Lau	3,328,161	3,517,500	39,743	416,020	7,301,424	7,290,625	2,176,399
Glenda So <sup>9</sup>	2,543,103	3,000,000	85,512	317,888	5,946,503	-	78,674
Calvin Tai <sup>10</sup>	4,740,006	6,364,192	384,270	592,501	12,080,969	10,192,433	5,811,619
Wilfred Yiu	4,000,008	3,800,000	155,176	500,001	8,455,185	7,644,696	3,085,716

- 1 Mr Li retired on 31 December 2020. His cash bonus in 2020 includes a special bonus payment of \$30 million approved by the Board.
- 2 Other benefits include leave pay, insurance premium, club membership, relocation allowance, settlement of the UK tax liability on behalf of the non-resident employee, and payment in lieu of pension contributions, as applicable.
- 3 An employee who retires before normal retirement age is eligible for 18 per cent of the employer's contribution to the provident fund after completion of two years of service. The rate of vested benefit increases by 18 per cent annually thereafter and reaches 100 per cent after completion of seven years of service.
- 4 Excludes the amounts approved by the Board for the purchase of HKEX shares pursuant to the Share Award Scheme, details of which are set out in the Share Award Scheme section below
- 5 These represent the aggregate of the amortised fair value of the Awarded Shares of HKEX Chief Executive and the members of the Senior Management that was charged to the Consolidated Income Statement for the year ended 31 December 2020.
- 6 The 2020 cash bonus and share awards to the Senior Management are subject to the Group's Clawback Policy.
- 7 Mr Chamberlain was a member of the LME pension scheme operating in the UK during 2020. The vesting scale of HKEX's provident fund scheme as specified in note 3 above is not applicable to him.
- 8 Ms Chan joined HKEX in January 2020.
- 9 Ms So joined HKEX in February 2020.
- 10 Mr Tai was appointed as HKEX's Interim Chief Executive effective 1 January 2021.

Further details of the five top-paid employees are set out in note 16 to the Consolidated Financial Statements.

## Share Award Scheme

HKEX has adopted the Share Award Scheme to recognise the contributions of certain employees and help in retaining them for the Group's operations and further development. The Scheme was adopted by the Board on 14 September 2005 (Adoption Date) and shall be valid until 31 December 2025. The maximum number of shares which can be awarded under the Scheme is 3 per cent (ie, 31,871,575 shares) of HKEX shares in issue as at the Adoption Date and the maximum number of shares which can be awarded to a selected employee in the Scheme is 1 per cent (ie, 10,623,858 shares). The rules and trust deed of the Scheme are available on the HKEX Group website [CG](#).

On 11 November and 9 December 2020, the Board approved a total sum of \$350.5 million for the purchase of HKEX shares pursuant to the Scheme, details of which are set out in the Employees' Remuneration section above. The purchase had not been made by the trustee as of 31 December 2020.

Further details of the Scheme are set out in note 43 to the Consolidated Financial Statements.

Since the Adoption Date and up to the date of this report, a total of 13,495,996 shares had been awarded under the Scheme, representing about 1.3 per cent of the number of HKEX shares in issue on the Adoption Date.

As at 31 December 2020, taking into account the shares acquired out of the dividends from the shares held under the trust, there were 1,983,560 shares held in trust under the Scheme (excluding shares vested but not yet transferred to awardees).

Details of the interests of HKEX Chief Executive and the Senior Management in the Awarded Shares are set out below.

	Date of award <sup>2</sup>	Number of Awarded Shares	Number of shares <sup>1</sup>				As at 31 Dec 2020	Reference awarded sum \$ <sup>3</sup>	Vesting period <sup>4</sup>
			As at 1 Jan 2020	Shares acquired during the year out of the dividends	Vested during the year	Lapsed during the year			
<b>HKEX Chief Executive</b>									
Li Xiaojia, Charles	30 Dec 2016	67,400 <sup>5</sup>	72,858	713 <sup>6</sup>	52,442 <sup>6</sup>	21,129 <sup>6</sup>	-	-	End of a performance period of 2017 – 2019
	29 Dec 2017	58,853	31,084	738	31,822	-	-	-	8 Dec 2019 – 8 Dec 2020
	29 Dec 2017	62,123 <sup>5</sup>	65,616	1,560	67,176 <sup>7</sup>	-	-	-	End of a performance period of 2018 – 2020
	31 Dec 2018	61,560	63,247	1,504	64,751 <sup>7</sup>	-	-	-	7 Dec 2020 – 7 Dec 2021
	31 Dec 2018	61,560 <sup>5</sup>	63,247	1,504	64,751 <sup>7</sup>	-	-	-	End of a performance period of 2019 – 2021
	31 Dec 2019	55,169	55,169	1,312	56,481 <sup>7</sup>	-	-	-	12 Dec 2021 – 12 Dec 2022
	31 Dec 2019	56,154 <sup>5</sup>	56,154	1,335	57,489 <sup>7</sup>	-	-	-	End of a performance period of 2020 – 2022
<b>Senior Management</b>									
Matthew Chamberlain	29 Dec 2017	20,688	10,926	259	11,185	-	-	-	8 Dec 2019 – 8 Dec 2020
	31 Dec 2018	31,359	32,218	765	16,490	-	16,493	-	7 Dec 2020 – 7 Dec 2021
	31 Dec 2019	28,922	28,922	688	-	-	29,610	-	12 Dec 2021 – 12 Dec 2022
	-	-	-	-	-	-	-	5,879,114	9 Dec 2022 – 9 Dec 2023
Bonnie Y Chan	-	-	-	-	-	-	-	5,100,000	9 Dec 2022 – 9 Dec 2023
Romnesh Lamba	29 Dec 2017	19,005	10,038	238	10,276	-	-	-	8 Dec 2019 – 8 Dec 2020
	31 Dec 2018	19,872	20,416	485	10,449	-	10,452	-	7 Dec 2020 – 7 Dec 2021
	31 Dec 2019	18,991	18,991	451	-	-	19,442	-	12 Dec 2021 – 12 Dec 2022
	-	-	-	-	-	-	-	4,819,350	9 Dec 2022 – 9 Dec 2023
Vanessa Lau	29 Dec 2017	8,021	4,237	100	4,337	-	-	-	8 Dec 2019 – 8 Dec 2020
	31 Dec 2018	9,590	9,852	233	5,042	-	5,043	-	7 Dec 2020 – 7 Dec 2021
	31 Dec 2019	8,535	8,535	202	-	-	8,737	-	12 Dec 2021 – 12 Dec 2022
	-	-	-	-	-	-	-	3,500,000	9 Dec 2022 – 9 Dec 2023
Glenda So	-	-	-	-	-	-	-	3,000,000	9 Dec 2022 – 9 Dec 2023
Calvin Tai	29 Dec 2017	18,205	9,616	228	9,844	-	-	-	8 Dec 2019 – 8 Dec 2020
	31 Dec 2018	26,459	27,184	646	13,913	-	13,917	-	7 Dec 2020 – 7 Dec 2021
	31 Dec 2019	23,526	23,526	559	-	-	24,085	-	12 Dec 2021 – 12 Dec 2022
	-	-	-	-	-	-	-	7,762,523	9 Dec 2022 – 9 Dec 2023
Wilfred Yiu	13 Jun 2019	9,603	9,751	231	-	-	9,982	-	8 Apr 2021 – 8 Apr 2022 <sup>8</sup>
	31 Dec 2019	18,138	18,138	431	-	-	18,569	-	12 Dec 2021 – 12 Dec 2022
	-	-	-	-	-	-	-	4,700,000	9 Dec 2022 – 9 Dec 2023

- 1 Includes shares acquired out of the dividends from the Awarded Shares (ie, shares acquired through reinvesting cash dividends or distribution of scrip dividend in respect of the Award Shares) according to the Scheme.
- 2 This refers to the date on which the trustee allocated the Awarded Shares to the selected employees from the shares purchased with the awarded sum determined by the Board.
- 3 This refers to the amount approved by the Board in 2020 for the purchase of the HKEX shares. The purchase had not been made by the trustee as of 31 December 2020.
- 4 Save for those Senior Executive Awards referred to in note 5 below, the vesting of the Awarded Shares referred to in note 7 below, and the award granted referred to in note 8 below, the Awarded Shares and the related income are vested in two equal tranches in the second and third year after the grant.
- 5 The awards were granted under the Scheme as long-term incentives for selected senior executives of the Group (Senior Executive Awards). The Board has full discretion to determine the actual amount of the Senior Executive Awards to be vested at the end of a performance period in accordance with the performance criteria recommended by the RC and approved by the Board. These performance criteria include total shareholder return, and achievements made in business development and sustaining the organisation's effectiveness.
- 6 Following the Board's approval of the vesting of 51,729 shares to Mr Li on 26 February 2020, the remaining 21,129 Awarded Shares lapsed on the same day, and 713 shares were acquired out of the 2019 second interim dividend in respect of these vested shares.
- 7 The Board has approved the vesting of a total of 278,273 shares to Mr Li upon his retirement on 31 December 2020.
- 8 The award was granted as part of the hiring agreement with a special vesting schedule.

**Rafael GIL-TIENDA**

Chairman of the Remuneration Committee

Hong Kong, 16 February 2021