

**HONG KONG EXCHANGES AND CLEARING LIMITED**  
**TERMS OF REFERENCE AND MODUS OPERANDI**  
**OF**  
**THE NOMINATION AND GOVERNANCE COMMITTEE**

**1. Status**

The Nomination and Governance Committee (the “**Committee**”) is a sub-committee of the board (the “**Board**”) of Hong Kong Exchanges and Clearing Limited (the “**Company**”) to which the Board has delegated consideration of the matters set out in paragraph 4 below.

**2. Purpose**

The Committee is to assist the Board in:

- (a) ensuring that the Board and its committees consist of directors with the appropriate balance of skills, diversity and knowledge of the Company and its subsidiaries (the “**Group**”) to enable it to discharge its duties effectively;
- (b) nominating candidates for the role of non-executive directors for election by shareholders at general meetings (“**Shareholder-elected Directors**”);
- (c) succession planning for the Board and senior management, and leadership development, especially of senior management;
- (d) review the feedback in respect of the role and effectiveness of Board committees arising from the evaluation of the Board and/or any Board committees; and
- (e) the oversight of matters relating to corporate governance, bringing any issues to the attention of the Board.

**3. Administrative Structure**

(a) **Composition**

The Committee shall consist of at least four non-executive directors appointed by the Board after considering the recommendations of this Committee. At least two members of the Committee shall be Shareholder-elected Directors. Only members of the Committee have the right to attend meetings; however, other members of the Board or senior management<sup>1</sup> may be invited by the chairman of the Committee to attend, as appropriate. External advisers may also be invited to attend Committee meetings.

(b) **Chairman**

The Board shall appoint the chairman of the Committee who should either be the chairman of the Board or a non-executive director endorsed by the chairman of the Board. In the absence of the chairman and/or an appointed deputy at any meeting, the Committee will elect one of the members present to act as chairman. The chairman of the Committee should attend the annual general meeting to answer shareholder questions on the Committee’s activities.

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<sup>1</sup> References to “senior management” have the same meaning as “senior management staff” as defined in HKEX’s Human Resources Manual. Paragraph 2.1 of the Human Resources Manual currently defines “senior management staff” as follows: “Senior Management staff herein refers to all members of the Management Committee, Managing Directors who are direct reports to the Chief Executive and/or Board, the Company Secretary and the Group Head of Audit”.

(c) **Reporting Procedures and Frequency of Meetings**

- (i) Minutes will be taken for all meetings and kept by the secretary of the Committee and, when the Committee chairman deems appropriate, tabled at meetings of the Board. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- (ii) The Committee shall meet at least three times every year. Additional meetings shall be held at the request of the chairman. Meetings shall be summoned by the secretary of the Committee.
- (iii) The Company Secretary or his/her nominee shall be the secretary of the Committee.
- (iv) The Committee chairman shall report regularly and formally to the Board at the next meeting of the Board following a meeting of the Committee, on matters within its remit.

(d) **Quorum**

Three members shall constitute a quorum. Decisions shall be determined by simple majority and, in the event of a tie, the chairman of the Committee shall have the casting vote. Proceedings of meetings of the Committee shall be governed by the provisions of Article 105 of the Articles of Association of the Company.

**4. Areas of Responsibility**

4.1 The Committee's responsibilities shall include the following:

**Board composition and diversity**

- (a) at least once annually assess and review the structure, size, composition and the balance of skills, experience, knowledge and diversity (including as to gender and ethnicity) required of the Board and other factors which may be relevant to its effectiveness, and make recommendations to the Board with regard to its composition profile including, where appropriate, preparing a description of the capabilities required for any particular appointment;
- (b) draw up, review and update, as appropriate, the diversity policy for the Board's approval having due regard to the requirements of the Listing Rules, review and update the objectives that the Board has set for implementing such policy, and monitor the progress made;

**Nomination policy and selection criteria for Shareholder-elected Directors**

- (c) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for the role of Shareholder-elected Directors for the Board's approval;

### **Recommendations with respect to the appointment of directors**

- (d) identify and recommend candidates for the role of Shareholder-elected Directors to the Board for nominating them for election by shareholders at general meetings, having due regard to the Board's diversity policy and composition profile requirements, and ensuring that candidates will be considered on merit and against objective criteria, and have the time and ability to contribute to the Board;
- (e) assess and review the skills, knowledge and experience required for the role of non-executive directors to be appointed by the Hong Kong Government ("**Government-appointed Directors**"), having due regard to the Board's diversity policy and composition profile requirements, and make recommendations to the Board;
- (f) identify and nominate candidates to fill casual vacancies of directors other than Government-appointed Directors for the Board's approval as and when they arise;
- (g) make recommendations to the Board concerning:
  - (i) the re-election by shareholders of any Shareholder-elected Director under the "retirement by rotation" provisions in the Company's articles of association, having due regard to their performance and ability to continue to contribute to the Board;
  - (ii) any matter relating to the continuation in office of any director including the suspension or termination of service of the Chief Executive as an employee of the Company subject to the provisions of the law and his/her service contract; and
  - (iii) the appointment of any director to executive or other office of the Group other than to the position of the Chief Executive, the recommendation for which should be considered at a meeting of the full board;

### **Recommendations with respect to the membership of Board Committees**

- (h) review and assess the skills, knowledge and experience required to serve on committees of the Board ("**Board Committees**"), and make recommendations on the appointment of members to Board Committees and a chairman for each committee;
- (i) recommend candidates to the Board to fill vacancies or new positions on the Board Committees as necessary or desirable;
- (j) review the feedback in respect of the role and effectiveness of the Board Committees arising from the evaluation of the Board and/or any Board Committee and make recommendations for any changes;

### **Succession planning**

- (k) give full consideration to succession planning for directors (including the Chief Executive) and senior management and make recommendations to the Board, taking into account all factors which the Committee considers appropriate including the challenges and opportunities facing the Group and the skills and expertise required in the future, and ensuring that senior management succession planning is discussed at the Board at least once annually;

### **Leadership development and director training**

- (l) keep under review the leadership needs and leadership training and development programmes of the Group, with a view to ensuring the continued ability of the Group to function effectively and compete internationally;
- (m) review and approve the policy on the selection criteria and appointment procedures for the Chief Executive and senior management and make recommendations for any changes;
- (n) approve appointments to, and removals from, senior management following recommendations from the Chief Executive;
- (o) evaluate the needs for, and monitor the training and development of, directors;

### **Independence of non-executive directors**

- (p) assess the independence of non-executive directors including any conflict which a director may have with the interests of the Group, review the annual confirmation of independence provided by non-executive directors as “independent non-executive directors” under the Listing Rules, and approve the disclosure of the result in the Company’s Corporate Governance Report;

### **Corporate governance oversight**

- (q) advise the Board as it may require in relation to any related party transactions or material conflicts of interest involving a Group company and any of its directors;
- (r) oversee all matters relating to corporate governance including developing and reviewing appropriate framework, policies and codes of conduct to promote proper governance within the Group, monitoring the effectiveness of such framework and reviewing the compliance of such policies and codes of conduct (including compliance with the Corporate Governance Code of the Listing Rules), liaising with the Audit Committee and other Board Committees as necessary;

### **Other responsibilities**

- (s) review the Corporate Governance Report in the Company’s annual report for the Board’s approval including disclosures on director independence;
- (t) develop the procedures for the performance evaluation of the Board and Board Committees, evaluate the performance of the Committee following such procedures, and review these terms of reference to ensure that the Committee is operating at maximum effectiveness; and
- (u) do any such things as are necessary to enable the Committee to discharge its responsibilities.

4.2 In carrying out its responsibilities, the Committee shall:

- (a) review annually the time commitment required from non-executive directors; and
- (b) give due consideration to all relevant laws, rules, regulations and regulatory requirements and guidance applicable to the Group.

## 5. Authority and Powers

- (a) The Committee may:
  - (i) delegate certain of its responsibilities to sub-committees comprising one or more of its members with such powers as are necessary to discharge the relevant responsibilities;
  - (ii) delegate to the chairman of the Committee authority to make decisions on matters which may need attention between Committee meetings, with such decisions to be reported or ratified in the next meeting of the Committee; and
  - (iii) review or consider matters outside these terms of reference if required to do so by the Board.
- (b) The Committee is authorised to:
  - (i) have access to such training and resources (including employees) in order to carry out its duties as it may consider appropriate;
  - (ii) obtain, at the Company's expense, any advice or support from external advisers or experts including legal advisers; and
  - (iii) have access to any information, record or report from any Group employee in order to perform its duties and request any employee to attend Committee meetings and answer questions as and when required.

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