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(Incorporated in Hong Kong with limited liability)  
(Stock Code: 388)

## **2013 Corporate Governance Report**

As at 26 February 2014, the Board comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr CHAN Tze Ching, Ignatius, Mr Timothy George FRESHWATER, Mr John Barrie HARRISON, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mrs LEUNG KO May Yee, Margaret, Mr John Estmond STRICKLAND, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEx's Chief Executive.

# 2013 CORPORATE GOVERNANCE REPORT

Given its dual roles as a controller of exchanges and clearing houses and a listed company, HKEx has always placed great importance on ensuring high governance standards with a view to delivering sustainable returns to Shareholders and fulfilling its obligations towards stakeholders. As the Group moves forward with the expansion of its business into new markets and geographies, it is more vital than ever that effective governance is in place at all levels throughout the organisation in light of the evolving economic environment, and the new and changing regulatory landscape.

In 2013, HKEx devoted considerable attention to strengthening governance structure and promoting best practices at the subsidiary level whilst continuing to implement enhancements to its own governance processes. The reports set out on the right explain how the principles of the Corporate Governance Code were put into practice and highlight areas of focus during the year under review and up to the date of this report. Further details of HKEx's corporate governance structure and practices are set out under the About HKEx (Corporate Governance) section of the HKEx website.

## Governance Practices in 2013

- 2013 Corporate Governance Report
- Audit Committee Report \*
- Environmental, Social and Governance Committee Report \*
- 2013 Remuneration Committee Report
- 2013 Corporate Social Responsibility Report \*

\* As set out in the 2013 Annual Report which will be available on the HKEx website on or about 14 March 2014

## Compliance with Corporate Governance Code

Throughout the year ended 31 December 2013, HKEx complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exceptions of Code Provisions A.4.1 and A.4.2 as addressed below.

### Code Provision A.4.1 (Re-election of non-executive directors)

The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by Section 77 of the SFO. They are normally appointed for a term of approximately 2 years and on expiration of their terms, they shall retire and be eligible for re-appointment pursuant to Article 90(5) of HKEx's Articles.

### Code Provision A.4.2 (Retirement by rotation of directors)

- The term of office of HKEx's Chief Executive in his capacity as a Director is, pursuant to Article 90(4) of HKEx's Articles, coterminous with his employment with HKEx, and he is not subject to retirement by rotation.
- HKEx's Chief Executive is appointed under an employment contract for a fixed term, normally not more than 3 years, with no automatic renewal provision, and shall be eligible for re-appointment. Pursuant to Articles 111(1) and (3) of HKEx's Articles, his appointment has to be approved by the Board and is subject to the SFC's approval under Section 70 of the SFO.

Details of HKEx's compliance with the Corporate Governance Code are set out under the About HKEx (Corporate Governance) section of the HKEx website.

## Strategic Planning

Rigorous strategic planning is a key and ongoing process in identifying and assessing the opportunities and challenges the Group might face, and developing a planned course of action for the Group to generate and preserve long-term value.

### Development and Implementation of Strategic Plan 2013-2015



# 2013 CORPORATE GOVERNANCE REPORT

The year 2013 was the first year of implementation of the Group's Strategic Plan 2013-2015, details of which are available under the About HKEx (Corporate Information) section of the HKEx website. While this new, 3-year strategic plan carries many of the strategic themes from the previous strategic plan, new activities and enhancements have been identified and added in order to pursue the Group's mission and goals.

## Work Done in 2013 under Strategic Plan 2013-2015

- Business Review \*
- Financial Review \*

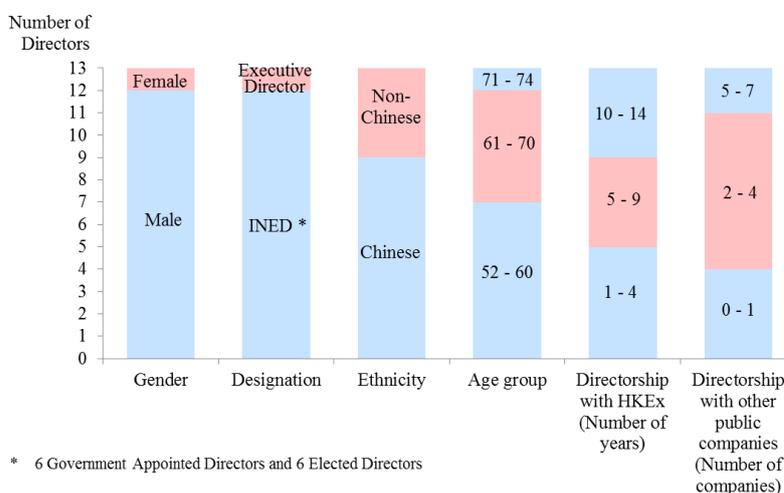
\* As set out in the Results Announcement published on the HKEx website on 26 February 2014

## The Board

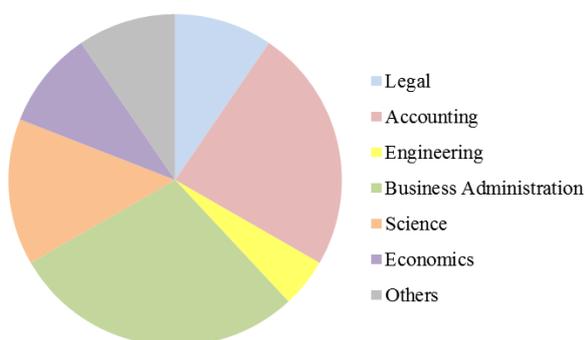
### Board Composition

The Board structure is governed by Article 90 of HKEx's Articles and Section 77 of the SFO. There are currently 13 Directors, all with professional backgrounds and/or extensive expertise for the direction and oversight of the Group's strategic priorities and public responsibilities. In April 2013, HKEx was pleased to welcome Mrs Margaret Leung to the Board. She adds diversity to the Board and has a wealth of financial services and risk management experience.

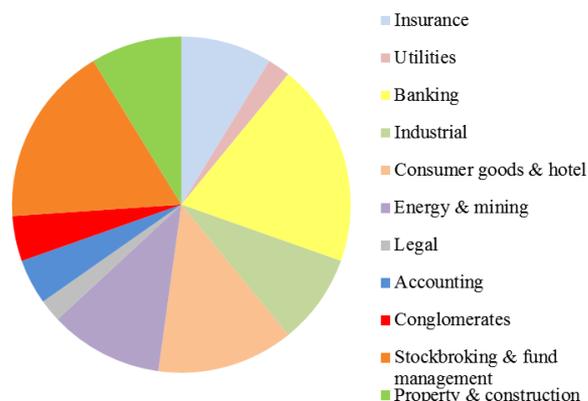
The composition, experience and balance of skills on the Board are regularly reviewed to ensure that the Board retains a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee and is set out on page 9 of this report.



### Academic Background



### Business Experience



The names of the current Directors and their biographies (including their roles, functions and respective terms of office at HKEx as well as their skills and experience) will be set out in the Board of Directors and Senior Management section of the 2013 Annual Report, and are available under the About HKEx (Organisation) section of the HKEx website.

# 2013 CORPORATE GOVERNANCE REPORT

## Appointment and Election of Directors

### Changes in Directors during 2013

- In April 2013, the Government announced the appointment of Mrs Margaret Leung and the re-appointment of Messrs John Harrison, Stephen Hui and Michael Lee as Directors each for a term of approximately 2 years from the close of the 2013 AGM until the conclusion of the AGM to be held in 2015.
- At the 2013 AGM, Messrs John Strickland and Oscar Wong were re-elected as Directors by Shareholders, each for a term of approximately 3 years from 24 April 2013 until the conclusion of the AGM to be held in 2016.
- Mr Ronald Arculli retired from the Board after the conclusion of the 2013 AGM.

The service terms of 2 Government Appointed Directors, namely Messrs C K Chow and Tim Freshwater, and 2 Elected Directors, namely Dr Bill Kwok and Mr Vincent Lee, will expire at the conclusion of the 2014 AGM. Pursuant to Articles 90(5) and 93(5) of HKEx's Articles, they are all eligible for re-appointment. Regarding the nomination of candidates as Elected Directors, details are set out on page 9 of this report. HKEx will make an announcement on the appointment of Directors, including Government Appointed Directors, as soon as practicable.

## Chairman and Chief Executive

The roles of HKEx's Chairman and Chief Executive are complementary, but importantly, they are distinct and separate with a clear and well established division of responsibilities. Their respective responsibilities are set out under the About HKEx (Corporate Governance) section of the HKEx website.

### **C K Chow** HKEx's Chairman (INED)

- Provides leadership to the Board
- Ensures Board effectiveness
- Fosters constructive relationships between Directors

- Promotes integrity and probity
- Ensures effective stakeholder communication

### **Charles Li** HKEx's Chief Executive (ex-officio Board member)

- Develops strategies for the Board's approval
- Executes the strategies agreed by the Board
- Leads the day-to-day management of the Group

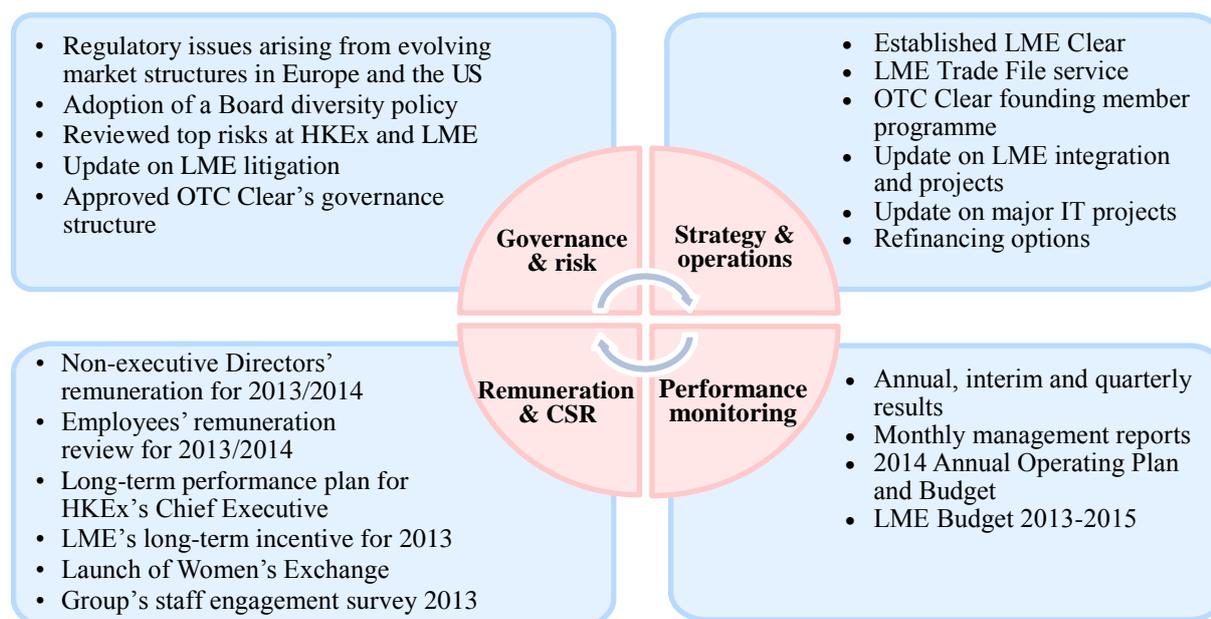
## Roles and Responsibilities

The Board believes that good governance emanates from an effective board which, directly and indirectly through its committees, leads and provides direction for management by setting strategy and overseeing its implementation by management, reviews the operational and financial performance, and provides oversight to ensure that a sound system of internal control and risk management is in place.

The Board has a formal schedule of matters reserved for its own decisions, as defined in its terms of reference, which are available under the About HKEx (Organisation) section of the HKEx website.

# 2013 CORPORATE GOVERNANCE REPORT

## Key Matters Addressed by the Board during 2013



## Independence of Non-executive Directors

HKEx has been steered by a Board with a majority of INEDs since its listing, with HKEx's Chief Executive being the only Executive Director on the Board. To ensure that the Board has a strong independent element to provide objective and constructive challenge to the viewpoints presented by management, assessments of Non-executive Directors' independence are carried out upon appointment, annually and at any other time where the circumstances warrant reconsideration.

### Assessments of Non-executive Directors' Independence for 2013

#### Assessment upon Director's appointment

Mrs Margaret Leung, the Non-executive Director newly appointed in April 2013, confirmed in writing to the SFC upon her appointment –

- her independence having regard to the criteria as set out in Rule 3.13 of the Main Board Listing Rules; and
- she has no past or present financial or other interest in the Group's business and no connection with any of HKEx's connected persons (as defined in the Main Board Listing Rules).

#### Annual assessment

On 21 February 2014, the Nomination Committee held a meeting to assess the annual confirmation of independence received from each of the INEDs having regard to the criteria as set out in Rule 3.13 of the Main Board Listing Rules.

- As a good corporate governance practice, every Nomination Committee member abstained from assessing his own independence.
- Particular review was applied in assessing the independence of Mr C K Chow since he is a Government Appointed Director and an Executive Councillor whilst the Government is a Minority Controller of HKEx.
- Consideration was given to the independence of Dr Bill Kwok and Messrs Vincent Lee and John Strickland, who have served on the Board for more than 13 years, and the independence of Mr Oscar Wong, who has served for more than 10 years.
- The Nomination Committee 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.

#### Ongoing assessment

- Each INED is required to inform HKEx as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence. No such notification was received during 2013.
- None of the Directors have any financial, business, family or other material/relevant relationships with each other. In particular, there are none of the above relationships between HKEx's Chairman and Chief Executive.
- Details of the Directors' interests in the Group's business are set out in the Continuing Connected Transactions and Material Related Party Transactions sections on pages 14 to 15 of this report.

# 2013 CORPORATE GOVERNANCE REPORT

## Induction and Development

The Company provides an induction programme for newly appointed Directors to further their knowledge and understanding of the Group's operations as well as their associated role and responsibilities. An induction programme was held for Mrs Margaret Leung who joined the Board in April 2013.

### Induction Programme in 2013

Key matters covered	Facilitated by
<ul style="list-style-type: none"> <li>• HKEx's roles and group structure, governance structure, Board procedures, Director's responsibilities, code of conduct, CSR strategy and management</li> </ul>	Company Secretary
<ul style="list-style-type: none"> <li>• Director's duties and responsibilities</li> </ul>	External legal advisor
<ul style="list-style-type: none"> <li>• HKEx's business (Listing, Global Markets, Global Clearing and IT)</li> </ul>	Respective division/department Heads and senior executives
<ul style="list-style-type: none"> <li>• Financial and risk management</li> </ul>	

Every Board member receives a copy of the Director's Handbook upon joining the Board, which contains the Board's terms of reference, an overview of Directors' responsibilities, the Guidelines on Conduct and information on other key governance issues. The Director's Handbook is reviewed and updated regularly, and is available under the About HKEx (Corporate Governance) section of the HKEx website.

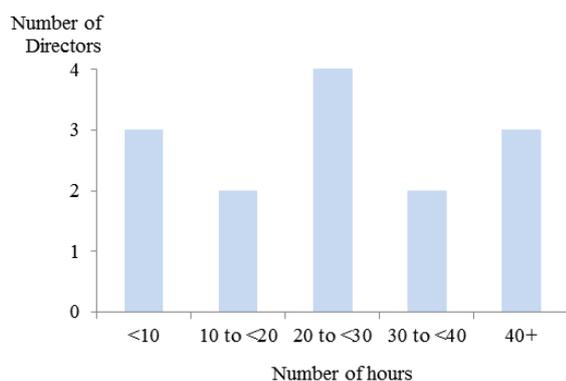
Development and training of Directors is an ongoing process to ensure the continued enhancement of their skills and knowledge. In-house training is arranged as necessary so that Directors can perform their roles and duties at the Group. The Company Secretary regularly circulates details of training courses (including those on economic, environmental and social topics) which may be of interest to Directors. All Directors are encouraged to attend relevant training courses provided by external bodies at the Company's expense. In 2013, Directors visited LME and the LME warehouses in Malaysia and Singapore, with a view to increasing their knowledge of the LME's operations.

### Topics of Internal Training for Directors in 2013

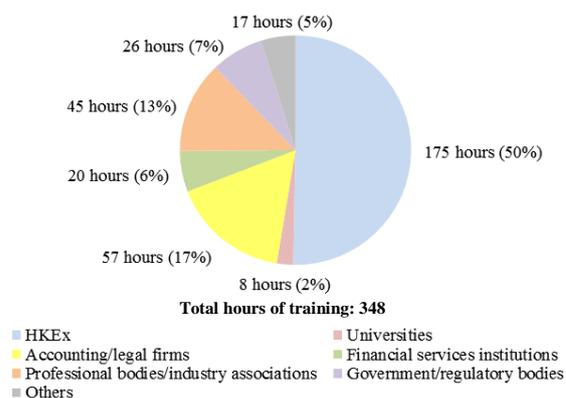
- LME and its warehousing arrangements
- Regulatory changes affecting LME
- LME Clear
- New Companies Ordinance
- Electronic platform for Board papers

All Directors are required to provide the Company with their training records on a quarterly basis, and such records are maintained by the Company Secretary for regular review by the ESG Committee. Save for Mr Ronald Arculli, who attended about 2 hours of training during his service term up to 24 April 2013, each Director received at least 8 hours of training in 2013. The training records of the Directors were reviewed by the ESG Committee in January 2014.

Training for Directors in 2013 \*



Analysis of Directors' Training in 2013 by Training Organiser \*



\* Including Mr Ronald Arculli who retired from the Board on 24 April 2013

# 2013 CORPORATE GOVERNANCE REPORT

## Analysis of Directors' Training in 2013 by Training Topic

	HKEx's strategy/ business	Director's duties/ governance practices	Economy/ financial markets and products	Induction programme	Risk management	Legislative/ regulatory compliance	Electronic platform for Board papers	Others
C K Chow (Chairman)	✓					✓	✓	
Ronald Arculli							✓	
Ignatius Chan	✓	✓			✓	✓	✓	✓
Timothy Freshwater	✓					✓	✓	
John Harrison	✓	✓	✓			✓	✓	✓
Stephen Hui	✓	✓				✓	✓	
Bill Kwok	✓	✓	✓			✓	✓	
Michael Lee	✓	✓	✓		✓	✓	✓	✓
Vincent Lee	✓	✓	✓			✓	✓	
Margaret Leung	✓	✓	✓	✓		✓	✓	
Charles Li	✓	✓	✓				✓	✓
John Strickland	✓	✓	✓			✓	✓	✓
John Williamson	✓	✓				✓	✓	
Oscar Wong	✓	✓				✓	✓	
<b>Total Number of Hours Attended by all Directors</b>	<b>124</b>	<b>76</b>	<b>53</b>	<b>12</b>	<b>6</b>	<b>29</b>	<b>21</b>	<b>27</b>

## Board Process

Directors are expected to devote sufficient time and attention to performing their duties and responsibilities towards the Group. The high attendance record at the Board and its committee meetings in 2013, which was reviewed by the Nomination Committee in February 2014, demonstrates Directors' strong commitment to the Company.

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure improvement in its functioning and processes. Given that there were no significant changes in the composition of the Board and its committees in 2013, the Board considered that it would be more appropriate to conduct a Board evaluation in 2014.

### Key Features of Board Process in 2013

- A total of 9 Board meetings were held, all of which were scheduled well before the start of the year. The Board had a standing agenda of items to ensure that matters relating to strategy, finance, major projects, governance, risk management and compliance were covered in its meetings at appropriate intervals during the year.
- To gain further insights into the LME's operations, 1 Board meeting was held in London in October 2013.
- To supplement the formal Board meetings, HKEx's Chairman had regular gatherings with Directors, and occasionally without the presence of HKEx's Chief Executive, to consider issues in an informal setting.
- All Directors are entitled to seek independent professional advice regarding their duties at the Company's expense. No such advice was sought during 2013.
- Directors' and Officers' liability insurance has been arranged. The terms and extent of the cover for 2013/2014 was reviewed and renewed.
- The Company has put in place procedures to deal with Directors' conflicts of interest which are set out in the Director's Handbook. To safeguard their independence, Directors are required to declare their direct/indirect interests, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from meeting/voting. In 2013, Mr Tim Freshwater recused himself from discussions on an item of business where there was a potential conflict of interest.
- An Escalation and Incident Reporting Policy and guidelines on reporting and disseminating inside information are in place to ensure that critical concerns for the Group's operations and performance are communicated and addressed by the Board in a timely manner.
- As part of the Company's commitment to best practices, all Directors were provided with a tablet computer to gain access to papers of the Board and its committees (save for the Risk Management Committee) through an electronic platform. A reading room was added to the platform to provide Directors with electronic access to a library of information relevant to their duties. The electronic platform ensures fast, timely and secure provision of information to Directors whilst at the same time reducing the environmental impact of Board and committee meetings.

# 2013 CORPORATE GOVERNANCE REPORT

## Attendance Record of Directors and Committee Members in 2013

	2013		Environmental,	Social and	Executive	Investment	Nomination	Panel	Remuneration	Risk
	AGM	Board	Audit Committee	Governance Committee	Committee	Advisory Committee	Committee	Nomination Committee	Committee	Management Committee
<b>Number of Meetings</b>	<b>1</b>	<b>9</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>9</b>	<b>12</b>
<b>Total Duration (approximate number of hours)</b>	<b>1</b>	<b>27</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>8</b>
<b>INEDs</b>										
C K Chow (Chairman)	1/1	9/9		1/1	5/5		1/1		9/9	12/12
Ronald Arculli <sup>1</sup>	1/1	2/2		1/1					1/2	
Ignatius Chan <sup>2</sup>	1/1	9/9	5/5				1/1	1/1		6/8
Timothy Freshwater <sup>3</sup>	1/1	9/9			2/3		1/1		3/3	
John Harrison <sup>4</sup>	1/1	9/9	5/5	1/1					2/3	
Stephen Hui <sup>5</sup>	1/1	9/9		–		3/4				
Bill Kwok <sup>6</sup>	1/1	9/9	5/5		5/5			1/1	6/6	4/4
Michael Lee <sup>7</sup>	1/1	8/9	–	1/1		4/4		1/1		4/4
Vincent Lee <sup>8</sup>	1/1	9/9	4/5		5/5			1/1	6/6	
Margaret Leung <sup>9</sup>		7/7							7/7	7/8
John Strickland <sup>10</sup>	1/1	9/9				4/4	1/1			
John Williamson <sup>11</sup>	1/1	9/9	5/5		2/2		–		8/9	
Oscar Wong	1/1	9/9				4/4	1/1	1/1		
<b>Executive Director</b>										
Charles Li	1/1	9/9		1/1	4/5					
<b>Market Professionals</b>										
Chan Ngai Hang										8/12
He Guangbei <sup>12</sup>										10/12
Edmond Lau <sup>13</sup>										4/4
Howard Lee <sup>14</sup>										8/8
Michael Liu										8/12
Keith Lui <sup>15</sup>										12/12
David Lui						3/4				
<b>Average Attendance Rate</b>	<b>100%</b>	<b>99%</b>	<b>96%</b>	<b>100%</b>	<b>92%</b>	<b>90%</b>	<b>100%</b>	<b>100%</b>	<b>93%</b>	<b>86%</b> <sup>16</sup>

### Notes:

- Mr Arculli retired from the Board and its committees on 24 April 2013.
- Mr Chan was appointed as a member of the Risk Management Committee effective 8 May 2013.
- Mr Freshwater was appointed as a member of the Executive Committee and ceased to be a member of the Remuneration Committee effective 8 May 2013.
- Mr Harrison ceased to be a member of the Remuneration Committee effective 8 May 2013.
- Mr Hui was appointed as a member of the ESG Committee effective 25 April 2013. No meeting of the ESG Committee took place during the period between 25 April and 31 December 2013.
- Dr Kwok ceased to be a member of the Risk Management Committee effective 25 April 2013, and was appointed as a member of the Remuneration Committee effective 8 May 2013.
- Mr Lee ceased to be a member of the Risk Management Committee effective 8 May 2013, and was appointed as a member of the Audit Committee effective 9 December 2013. No meeting of the Audit Committee took place during the period between 9 and 31 December 2013.
- Mr Lee was appointed as a member of the Remuneration Committee effective 8 May 2013.
- Mrs Leung was appointed as a Director effective 24 April 2013. She was appointed as a member of the Remuneration Committee and the Risk Management Committee effective 25 April 2013.
- Mr Strickland retired from the Nomination Committee on 24 April 2013.
- Mr Williamson was appointed as a member of the Nomination Committee effective 25 April 2013, and ceased to be a member of the Executive Committee effective 8 May 2013. No meeting of the Nomination Committee took place during the period between 25 April and 31 December 2013.
- All 10 meetings were attended by Mr He's alternate.
- Mr Lau ceased to be a member of the Risk Management Committee effective 1 May 2013. One meeting was attended by his alternate.
- Mr Lee was appointed as a member of the Risk Management Committee effective 1 May 2013. One meeting was attended by his alternate.
- Two meetings were attended by Mr Lui's alternate.
- The attendance rate took into account the attendance by alternate committee members.

## Company Secretary

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to HKEx's Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and management. The Company Secretary heads the Secretarial Services Department, which is under the Listing and Regulatory Affairs Division led by HKEx's Chief Regulatory Officer.

# 2013 CORPORATE GOVERNANCE REPORT

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The Company Secretary's biography will be set out in the Board of Directors and Senior Management section of the 2013 Annual Report. During 2013, the Company Secretary undertook over 15 hours of professional training to update his skills and knowledge.

## Board Delegation

### Board Committees

The Board has delegated authority to its 8 standing committees with specific roles and responsibilities. The effective functioning of these committees is a critical element in the Board's overall effectiveness. Their terms of reference and composition are reviewed and updated regularly to ensure that they remain appropriate and reflect the expansion of the Group's business and changes in governance practices.

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#### Changes in Terms of Reference of Committees in 2013

- Given that the Management Committee was delegated by the Board with an enhanced executive role, certain duties of the Executive Committee were reallocated to the Management Committee.
  - With the adoption of the Board Diversity Policy, the Nomination Committee's role was expanded to include monitoring the implementation of the policy.
  - To ensure consistency of the remuneration policy across the Group, the Remuneration Committee's role was expanded to cover remuneration matters in relation to HKEx's subsidiaries.
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The committees' member lists will be set out in the Board and Committees section of the 2013 Annual Report, and together with their major roles and functions and terms of reference are available under the About HKEx (Corporate Governance) section of the HKEx website. The attendance record of the committee members is set out on page 8 of this report.

### The Nomination Committee

The Nomination Committee is delegated by the Board with the primary responsibility to formulate and implement the policy for nominating candidates for election by Shareholders, to assess the independence of INEDs, and to review the time required from Directors to perform their responsibilities. The Committee, comprising 5 members who are all INEDs, held 2 meetings in 2013 and up to 26 February 2014.

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#### Summary of Work Done in 2013/2014

- Nominated candidates to stand for election by Shareholders at the 2013 and 2014 AGMs
  - Reviewed and confirmed the independence of the 12 INEDs
  - Reviewed time commitment from Directors to perform their responsibilities
  - Endorsed the Board Diversity Policy, and proposed amendments to the Committee's terms of reference and the Nomination Policy taking into account the Board Diversity Policy
  - Reviewed the objectives set for implementing the Board Diversity Policy as well as the composition and diversity of the Board
- 

On 21 February 2014, the Committee considered the current Board composition and nominated Dr Bill Kwok and Mr Vincent Lee to the Board for it to recommend them to stand for election by Shareholders at the 2014 AGM. The nominations were made in accordance with the Nomination Policy and the objective criteria (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 which is available under the About HKEx (Corporate Governance) section of the HKEx website. An analysis of the current Board composition based on these objective criteria is set out on page 3 of this report. The Committee had also taken into account their respective contributions to the Board and their firm commitment to their roles.

## 2013 CORPORATE GOVERNANCE REPORT

On 26 February 2014, the Committee's nominations were accepted by the Board. As a good governance practice, Dr Kwok and Mr Lee each abstained from voting at the Board meeting on their nominations for election by Shareholders. Dr Kwok and Mr Lee do not have any service contracts with any member of the Group that are not determinable by the Group within 1 year without compensation (other than statutory compensation). Their particulars will be set out in the circular to Shareholders to be sent together with the 2013 Annual Report and posted under the About HKEx (Investor Relations) section of the HKEx website.

### Consultative Panels

Apart from the Board Committees, there are 3 standing Consultative Panels – Cash Market Consultative Panel, Derivatives Market Consultative Panel, and Clearing Consultative Panel – with the major responsibility of providing market expertise and advice to the Board in relation to the trading and clearing in Hong Kong's securities and derivatives markets. The composition and terms of reference of the Consultative Panels are available under the About HKEx (Organisation) section of the HKEx website.

<b>Meetings Held in 2013</b>	
	<b>Number of Meetings</b>
Cash Market Consultative Panel	1
Derivatives Market Consultative Panel	2
Clearing Consultative Panel	1

### Management Functions

The executive management under the leadership of HKEx's Chief Executive is responsible for the day-to-day management of the Group's businesses and implementation of the strategy and direction set by the Board. The Management Committee, chaired by HKEx's Chief Executive, is the management decision making body of the Group and aims to hold meetings at least two times every month. Its member list will be set out in the Organisation Chart section of the 2013 Annual Report, and together with details of its duties is available under the About HKEx (Organisation) section of the HKEx website.

### Major Changes to Organisational Structure in 2013

- A new organisational structure was put in place to better support the Group's strategic objectives, and the Group's business and operations functions are organised along 6 verticals: Listing and Regulatory Affairs, Global Markets, Global Clearing, IT, Corporate Services and Finance.
- Ms Rebecca Brosnan, who was Head of Business Development & Strategy under the Global Markets Division, was appointed as Head of Asia Commodities following the departure of Ms Liz Milan.
- Ms Margaret Cheng was appointed as the Group Head of Human Resources following the departure of Ms Sylvia Hoosen.
- Mr James Fok was appointed as Head of Group Strategy in addition to his responsibilities as Chief of Staff.
- Mr David Graham was appointed as Head of Listing following the retirement of Mr Mark Dickens.
- Mr Garry Jones succeeded Mr Martin Abbott as the chief executive and a director of LME and became HKEx's Co-head of Global Markets.
- Mr Paul Kennedy was appointed as the Group Chief Financial Officer following the departure of Mr Stephen Marzo.
- Mr Mao Zhirong was appointed as Head of Mainland Development to succeed Ms Yang Qiumei.

The updated organisational structure will be set out in the Organisation Chart section of the 2103 Annual Report, and is available under the About HKEx (Organisation) section of the HKEx website. The list of Senior Management and their biographies will be set out in the Board of Directors and Senior Management section of the 2013 Annual Report.

# 2013 CORPORATE GOVERNANCE REPORT

## Senior Management Succession Planning

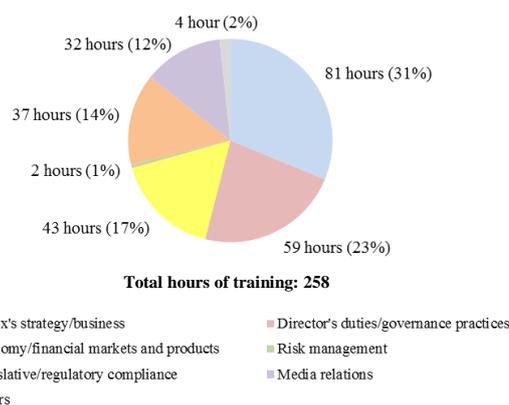
The Board recognises the importance of having continuity in the executive management, and leaders with appropriate skills and experience to support the delivery of the Group's strategic priorities. Senior management succession plan is a regular Board agenda item. During 2013, the Board had reviewed the succession plan to ensure that ongoing talent management and development initiatives designed to further develop senior executives are in place.

## Management Training

Ongoing professional development is important to Senior Management given the competitive business environment in which the Group operates. To ensure that members of the Senior Management continue to cultivate skills and knowledge for the fulfilment of their duties and responsibilities, the ESG Committee reviewed their training records in January 2014.

Further information about training attended by the Group's employees during 2013 will be set out in the 2013 Corporate Social Responsibility Report.

Analysis of Senior Management's Training in 2013 by Training Topic



## Subsidiary Board and Committees

To ensure there is an integrated, Group-wide approach towards upholding high governance standards whilst expanding HKEx's business portfolio, focus and efforts have been placed on establishing and strengthening the governance structures of HKEx's subsidiaries which constitute part of the Group.

With a view to fostering the governance linkages between HKEx and its subsidiaries and ensuring that the Board receives timely and accurate updates as to the subsidiaries' activities, there are some common memberships between the Board and the board and committees of HKEx's subsidiaries.

LME follows the code provisions of the UK Corporate Governance Code, where appropriate, to demonstrate its commitment to high governance standards. In 2013, LME's board commissioned an independent consultant to review its governance, structure, operation and effectiveness for the 12-month period ended 6 December 2013. The review was carried out in response to a requirement of the The Financial Conduct Authority of the UK imposed in order that they might be satisfied with the LME's governance structure being fit for the purpose of enabling LME to meet its regulatory obligations as a recognised investment exchange. The review process comprised a series of interviews with LME's directors, company secretary and senior executives, observation of a board meeting, and examination of a case study. The review report concluded that LME's board had met its regulatory obligations for the period under review.

Details about the governance structures of the Group's principal subsidiaries (including composition and terms of reference of their boards and committees) are available under the About HKEx (Organisation) section of the HKEx website.

# 2013 CORPORATE GOVERNANCE REPORT

## Remuneration of Directors and Senior Management

A formal and transparent procedure for fixing the remuneration packages of individual Directors and Senior Management is in place. Details of remuneration policies and other relevant information are set out in the 2013 Remuneration Committee Report.

## Directors' Securities Transactions and Interests in HKEx

### Compliance with Model Code

HKEx has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they had complied with the Model Code at all applicable times during the year ended 31 December 2013.

### Directors' Interests and Short Positions in Shares and Underlying Shares of HKEx

As at 31 December 2013, the interests and short positions of Directors, including HKEx's Chief Executive, in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange (in the case of HKEx, the SFC) pursuant to the Model Code were as set out below.

#### Long Positions in Shares and Underlying Shares of HKEx

Name of Director	Number of shares/underlying shares held				Total	% of issued <sup>1</sup> share capital
	Personal interests	Family interests	Corporate interests	Other interests		
C K Chow	15,000 <sup>2</sup>	–	–	–	15,000	0.00
Margaret Leung	–	5,000 <sup>3</sup>	–	–	5,000	0.00
Charles Li	270,059 <sup>4</sup>	–	–	–	270,059	0.02
John Strickland	18,000 <sup>5</sup>	–	–	–	18,000	0.00

Notes:

1 Based on 1,161,515,153 HKEx shares in issue as at 31 December 2013

2 Mr Chow was the beneficial owner of those shares.

3 Mrs Leung's spouse was the beneficial owner of those shares.

4 It included Mr Li's interests in Awarded Shares and shares acquired out of the dividends from the Awarded Shares in an aggregate of 109,862 shares which remained unvested under the Share Award Scheme. Details of Mr Li's Awarded Shares are set out in the Remuneration Committee Report of this Annual Report.

5 Mr Strickland was the beneficial owner of those shares.

Save for those disclosed above, as at 31 December 2013, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange (in the case of HKEx, the SFC) pursuant to the Model Code.

Apart from the Awarded Shares as disclosed in the 2013 Remuneration Committee Report, none of the Directors (including their spouses and children under the age of 18) held any interests in or was granted any right to subscribe for the securities of HKEx or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights, during the year ended 31 December 2013.

# 2013 CORPORATE GOVERNANCE REPORT

## Other Persons' Interests and Short Positions in Shares and Underlying Shares of HKEx

### Minority Controllers

Under Section 61 of the SFO, no person shall be or become a Minority Controller (ie, a person who either alone or with any associated person or persons is entitled to exercise, or control the exercise of, 5 per cent or more of the voting power at any general meeting of the recognised exchange controller) except with the SFC's approval in writing after consultation with the Financial Secretary.

Since 7 September 2007, the Government has been a Minority Controller. According to the Government, the provisions of Section 61 of the SFO do not expressly, or by necessary implication, bind the Government and accordingly by virtue of Section 66 of the Interpretation and General Clauses Ordinance the provisions of Section 61 of the SFO requiring a person becoming a Minority Controller to obtain the SFC's approval do not affect the rights of, and are not binding on, the Government.

As at the date of this report, the SFC has granted approval to 8 entities to be Minority Controllers on the basis that the shares were held by them in custody for their clients. According to the Participant Shareholding Report as at 31 December 2013, the 8 approved Minority Controllers in aggregate held approximately 60 per cent of HKEx's issued share capital.

As at 31 December 2013, other persons' interests and short positions in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Stock Exchange, were as set out below.

### Long Positions in Shares and Underlying Shares of HKEx

Name	Capacity	Number of shares/underlying shares held	Total	% of issued share capital <sup>1</sup>
The Government of the Hong Kong Special Administrative Region (for the account of the Exchange Fund)	Beneficial owner	66,730,300 <sup>2</sup>	66,730,300	5.74

Notes:

1 Based on 1,161,515,153 HKEx shares in issue as at 31 December 2013

2 Based on a confirmation to HKEx by the Government in respect of its holding immediately following completion of placing of new HKEx shares as announced on 30 November 2012

Save for those disclosed above, as at 31 December 2013, no other persons had any interests or short positions in the shares or underlying shares of HKEx as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Stock Exchange.

### Senior Management

Members of the Senior Management are obliged to strictly follow the Company's restrictions on dealing in securities, futures contracts and derivatives, which are on terms no less stringent than the Model Code, as set out in the Human Resources Manual. As at 31 December 2013, Senior Management's interests in the shares and underlying shares of HKEx were as set out below.

# 2013 CORPORATE GOVERNANCE REPORT

Name of employee	Number of shares held	Number of shares issuable under share options granted	Number of * Awarded Shares	Derivatives (number of underlying shares)
Bill Chow	397,254	–	24,673	–
David Graham	–	–	10,983	–
Gerald Greiner	107,234	125,000	37,775	–
Henry Ingrouille	–	–	24,162	–
Romnesh Lamba	68,798	–	45,811	–
Henry Law	119,212	–	16,951	–
Richard Leung	14,293	–	29,082	–

\* They included shares acquired out of the dividends from the Awarded Shares which remained unvested under the Share Award Scheme. The beneficial interest of these shares will be vested in accordance with the terms and conditions of the Scheme.

## Continuing Connected Transactions

In June 2000, the SFC granted a waiver to HKEx from strict compliance with the Main Board Listing Rules with respect to certain continuing connected transactions as referred to in (A), (B) and (C) below. The waiver has remained valid since then. During the year ended 31 December 2013 and subject to the waiver, the Group had the following continuing connected transactions.

### Continuing Connected Transactions for the Year ended 31 December 2013

- A. Transactions between HKEx or its subsidiaries and the following connected persons arising from or in connection with the use of (i) the facilities provided by the Group for the trading, clearing and/or settlement of securities and futures products and transactions; and (ii) all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing:
- Mr Ronald Arculli, an ex-INED who retired on 24 April 2013, was interested in the transactions entered into by Bokhary Securities Limited, an EP and a CP, in which his sister and his brother-in-law each have a 50 per cent interest.
  - Dr Bill Kwok, an INED, was interested in the transactions entered into by Wocom Securities Limited (WSL) and Wocom Limited, EPs and CPs, which are Dr Kwok's associates by virtue of the Main Board Listing Rules.
  - Mr Vincent Lee, an INED, was interested in the transactions entered into by Hang Tai Securities Limited, Tung Tai Securities Company Limited and Tung Tai Futures Limited, EPs and CPs, which are Mr Lee's associates by virtue of the Main Board Listing Rules.
- B. Transactions between HKEx or its subsidiaries and the following connected persons arising from or in connection with (i) the listing, or proposed listing, of securities on the Stock Exchange; and (ii) all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing:
- Mrs Laura Cha, an ex-INED who retired on 23 April 2012, was interested in the transactions entered into by her associates, HKR International Limited and Hanison Construction Holdings Limited. Both companies are listed on the Stock Exchange.
  - Dr Bill Kwok, an INED, was interested in the transactions entered into by his associate, Wing On Company International Limited, which is listed on the Stock Exchange.
- C. Transactions between HKEx or its subsidiaries and the following connected person arising from or in connection with the HKSCC arrangement on behalf of CCASS Participants for (i) carrying out "buy-in" when a CCASS Participant has failed to deliver securities on time for settlement under the CNS System or the Isolated Trades System operated by CCASS; (ii) the purchase or sale of securities in connection with the liquidation of the positions of a CCASS Participant that has been declared by HKSCC to be in default; and (iii) the sale of entitlements of securities held through CCASS (collectively referred as Buy-in Transactions):
- Dr Bill Kwok, an INED, was interested in the Buy-in Transactions entered into by WSL which is Dr Kwok's associate by virtue of the Main Board Listing Rules. For the year ended 31 December 2013, the total consideration of such transactions, being the brokerage commission earned by WSL, amounted to \$1,854.

The Audit Committee (AC) comprising 6 INEDs, under the authority delegated by the Board, reviewed the above continuing connected transactions pursuant to Rule 14A.37 of the Main Board Listing Rules. As a good corporate governance practice, Mr Vincent Lee and Dr Bill Kwok, the deputy chairman and a member of the AC respectively, abstained from reviewing the respective transactions in which they had an interest. The AC confirmed that:

## 2013 CORPORATE GOVERNANCE REPORT

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- (i) the transactions disclosed above were entered into in the Group's ordinary and usual course of business and conducted on an arm's length basis, and on normal commercial terms or on terms no more favourable than terms available to independent third parties;
- (ii) in respect of the transactions as disclosed under (A) and (B) above, they were conducted in accordance with the rules and regulations of the relevant Group company governing such transactions, and where the rules and regulations do not govern those transactions in full, in accordance with the standard terms and conditions of the relevant Group company relating to such transactions;
- (iii) in respect of the Buy-in Transactions as disclosed under (C) above, they were conducted in accordance with the standard terms and conditions of HKSCC applicable generally to all buy-in brokers in such transactions acting for and on behalf of HKSCC and at the mutually agreed commission rates payable by HKSCC in respect of such Buy-in Transactions generally; and
- (iv) the transactions disclosed above were conducted in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of Shareholders as a whole.

The Company's external auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external auditor issued its unqualified letter containing its findings and conclusions in respect of the transactions disclosed above in accordance with Rule 14A.38 of the Main Board Listing Rules. The Company provided a copy of the said letter to the SFC and the Stock Exchange.

### Material Related Party Transactions

During the year ended 31 December 2013, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. None constitutes a discloseable connected transaction as defined under the Main Board Listing Rules. Details of the material related party transactions are disclosed in note 49 to the Consolidated Financial Statements for the year ended 31 December 2013.

### Accountability and Audit

#### Financial Reporting

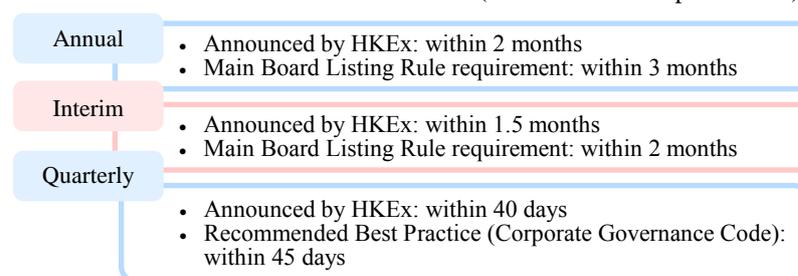
The Board is responsible for overseeing the preparation of annual financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year. Management provides the Board with management accounts and updates on a monthly basis, with a view to giving a balanced and understandable assessment of the Group's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties. In preparing the financial statements for the year ended 31 December 2013, the Board:

- (i) adopted HKFRSs, which conform to the International Financial Reporting Standards in all material respects;
- (ii) selected suitable accounting policies and applied them consistently;
- (iii) made prudent and reasonable judgements and estimates; and
- (iv) ensured that the financial statements were prepared on a going concern basis.

# 2013 CORPORATE GOVERNANCE REPORT

The Board is committed to presenting a balanced, clear and comprehensible assessment of the Group's operational performance, financial results and prospects to Shareholders and other stakeholders in a timely manner.

## Results Announcement Timeline in 2013 (after the relevant period-end)



## Internal Controls and Their Effectiveness

The Board has the overall responsibility for maintaining sound and effective internal controls for the Group (including reviewing their effectiveness) to safeguard Shareholders' investment and the Group's assets. To this end, management continues to devote resources to maintain an internal control and risk management system compatible with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) standards to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure to achieve business objectives.

The dynamics of the Group and the environment within which it operates are continually evolving together with its exposure to risk. The Board continues to review the adequacy of the risk management and control framework and looks for opportunities to make improvements and add appropriate resources when necessary.

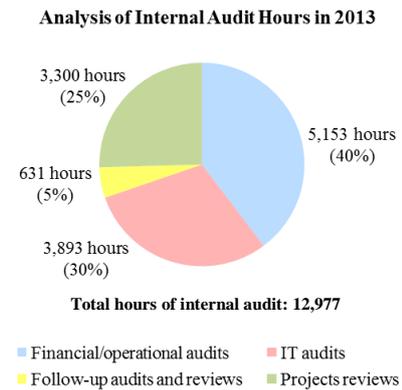
### Key Control Measures Undertaken in 2013

- Since January 2013, a new organisational and management structure reflecting the Group's strategic plan for 2013-2015 has been in place to facilitate effective management and efficient resource allocation.
- Given a series of new business initiatives and projects undertaken under the strategic plan, HKEx's project management framework, which comprises Project Steering Committees and Project Working Teams to manage and run the respective projects, has been further enhanced by establishing a Project Review Committee to oversee major project developments for better management of project inter-dependencies and resource allocation.
- Different policies, procedures and guidelines have been adopted with defined authority for effective segregation of duties and controls, and are kept under regular review. For example, the endorsement of Investment Policy, Restrictions and Guidelines for OTC Clear by the Investment Advisory Committee for the approval by the board of OTC Clear.
- All division/department Heads confirmed that appropriate internal control policies and procedures had been established and properly complied with in 2013.
- Regular reviews were conducted to identify and assess risks in different areas across the organisation using a common platform and standardised process. More information in this regard will be set out in the Business Review section of the 2013 Annual Report. Details of the key risks as identified and the procedures and controls for mitigating the risks will be set out in the 2013 Corporate Social Responsibility Report.
- Information about the Group's management of its financial risks is set out in note 52 to the Consolidated Financial Statements for the year ended 31 December 2013.
- An Escalation and Incident Reporting Policy is in place to facilitate swift action and timely communication with stakeholders. A review of the policy was conducted in 2013 to further refine the incident escalation and reporting processes for the Group.
- Guidelines on reporting and disseminating inside information, maintaining confidentiality and complying with dealing restrictions are in place for employees to follow. HKEx's Continuous Disclosure and Communication Policy was amended to ensure that the Group's employees comply with the obligations under the Securities and Futures (Amendment) Ordinance 2012, which established the statutory disclosure regime for inside information.
- A Whistle-blowing Policy is in place to facilitate internal reporting of any malpractice without fear of reprisal or victimisation.
- The Group's IT systems are subject to independent reviews to ensure their integrity, reliability, availability and stability. For example, an independent review of LME's core IT systems was commissioned in the fourth quarter of 2013, and a number of initiatives, as recommended in an independent IT security risk and infrastructure review of HKEx's IT systems in 2012, were carried out in 2013 to enhance IT security.
- To promote information security within HKEx and drive continuous security improvements in an independent manner, a new Chief Information Security Officer role was created outside the IT Division with responsibilities for HKEx's information security policy and the coordination of information security efforts across HKEx.

# 2013 CORPORATE GOVERNANCE REPORT

## Internal Audit

The Internal Audit Department (IAD) is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control and risk management system and reporting the review results regularly to the Board through the AC. Its work covers all material controls, including the financial, operational and compliance controls and risk management functions.



During 2013, there were class action lawsuits in the US against LME and LMEH with respect to alleged anti-competitive and monopolistic behaviour in the warehousing industry in connection with aluminium prices, and a lawsuit was filed in the UK, seeking a judicial review with respect to the LME's decision to introduce changes in its warehousing policy. Save as aforesaid, no suspected cases of fraud, irregularities, or infringement of laws, rules and regulations, or material control failures within the Group were identified during 2013.

Further details of the IAD's role and its internal audit methodology and process are available in the About HKEx (Corporate Governance) section of the HKEx website.

## Assessment of Internal Control System

The AC, on behalf of the Board, assesses the effectiveness of the internal control system in detecting fraud and other irregularities on a regular basis by reviewing the IAD's work and findings.

Further details of the AC's work done in 2013/2014 and its reviews of the internal control system and the accounting and financial reporting function of the Group will be set out in the Audit Committee Report of the 2013 Annual Report.

## Independence of External Auditor

The AC is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements. All services provided by the external auditor are required to be approved by the AC. To ensure that the policy of restricting the non-audit work done by the external auditor is strictly applied by all entities within the Group, the AC in 2013 approved the policies and procedures for approval of engagement of the Group's independent external auditor, PricewaterhouseCoopers (PwC), to provide services to the Group, which set out (i) the classification of services as pre-approved services, prohibited services and non pre-approved services; and (ii) the approval process for non pre-approved services.

Under the approval procedures for audit fees, all audit fees for entities within the Group are required to be coordinated and presented by PwC Hong Kong and all statutory audit fees for the Group companies are required to be approved by the AC.

# 2013 CORPORATE GOVERNANCE REPORT

Prior to the commencement of the audit of the Group's 2013 financial statements, the AC received written confirmation from the external auditor of its independence and objectivity. The external auditor refrained from engaging in non-assurance services except for limited tax-related services or specifically approved items. The AC reviewed the external auditor's statutory audit scope and non-audit services and approved its fees.

External Auditor's Services and Fees		
	2013	2012
	\$m	\$m
<b>Audit and audit-related services</b>		
• Audit	9	6
• Warehouse stock count fees	–	1
<b>Non-audit services</b>		
• Tax advisory and compliance	5	3
• Other services	1	2
<b>Total</b>	<b>15</b>	<b>12</b>

HKEx has adopted a policy of rotating the engagement partner of the external auditor every 5 years since 2005 and the current engagement partner is due for rotation after completing the audit for the year ending 31 December 2014. However, due to recent changes to the Group's business operations, in particular the acquisition of the LME Group, the AC has decided that a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the audit. The service period of the current audit engagement partner has therefore been extended from 5 years to a maximum of 7 years. This one-off extension has been agreed with PwC, and complies with the Code of Ethics for Professional Accountants issued by the HKICPA.

Further details of the external auditor's responsibilities will be set out in the Auditor's Report of the 2013 Annual Report. More information about the policies and procedures in safeguarding and supporting the independence and objectivity of the external auditor is available in the About HKEx (Corporate Governance) section of the HKEx website.

## Shareholder Relations

The Board gives high priority to balanced, clear and transparent communications which allow Shareholders and investors to understand the Group's prospects and the market environment in which it operates. The Company engages with Shareholders and other investors through various channels of communication to help ensure that their views and concerns are understood and addressed in a constructive way.

## Investor Engagement and Communications

The Corporate & Investor Communications Department is the primary contact point for communications with investors and analysts. The Company has a comprehensive and well-established programme of engagement for institutional shareholders which provides the opportunity for current and potential investors to meet with HKEx's Chief Executive, Co-head of Global Markets, Group Chief Financial Officer and other senior executives.

### Key Investor Relation Activities

- Small group/one-to-one meetings
- Conference calls
- Media and analyst briefings
- Investor conferences

The views of investors are communicated to the Board as a whole on a regular basis through the investor relations update report, which includes an analysis of HKEx shares' price performance and a summary of questions and feedback from investors and analysts. All Directors can, therefore, develop an understanding of issues or concerns of investors should any be raised.

# 2013 CORPORATE GOVERNANCE REPORT

To foster institutional investors' understanding of the Group's governance performance, the Company continues to address the views and concerns raised by international ESG rating agencies such as GMI Ratings and Institutional Shareholder Services Inc (or ISS) by providing feedbacks and additional information in relation to the Group's governance principles and practices. Additional information about engagement with investors during 2013 will be set out in the 2013 Corporate Social Responsibility Report.

## Shareholder Engagement and Communications

### Key Shareholder Engagement and Communications

#### Announcements and financial statements

- HKEx ensures prompt dissemination of corporate communications with contingency measures in place to enable Shareholders and other stakeholders to keep abreast of the Group's business affairs and developments. Given the approach of a tropical cyclone, an announcement was made in August 2013 relating to the contingency arrangement for the approval of the 2013 interim results.
- HKEx's commitment to pursuing quality and transparency in governance disclosure and financial reporting gained continued recognition from external professional organisations with its 2012 Annual Report received awards from the HKICPA and The Hong Kong Management Association in 2013.

#### HKEx website

- The HKEx website has become the primary channel of communication with the investing public. As at 31 December 2013, about 80 per cent of Shareholders opted to receive corporate communications via electronic methods. The About HKEx (Investor Relations) section of the website is kept under regular review to ensure that a wide range of information of interest to Shareholders is provided in an accurate and timely manner.

#### Scrip dividend scheme

- HKEx offers Shareholders the option of receiving their dividends in the form of new shares in HKEx instead of cash, which may enable Shareholders to increase their investment in HKEx without incurring brokerage fees, stamp duty or related dealing costs.

#### General meetings

- Pursuant to Article 90(2) of HKEx's Articles, if a Shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination which shall be given to the Company Secretary at HKEx's registered office within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). Details of the procedures for nominating candidates to stand for election as a Director at the 2014 AGM will be set out in the circular to Shareholders to be sent together with the 2013 Report.
- Shareholder(s) holding not less than one-twentieth of HKEx's paid-up capital may request the Board to convene an extraordinary general meeting. The related requisition must state the objects of the meeting and must be signed by the requisitionists and addressed to the Company Secretary at HKEx's registered office. Pursuant to the new Companies Ordinance which will take effect on 3 March 2014, the request can also be addressed to the Company Secretary via email at [ssd@hkex.com.hk](mailto:ssd@hkex.com.hk). Details of Shareholders' rights in relation to HKEx's general meetings are set out in the About HKEx (Corporate Governance) section of the HKEx website.

#### Polices and guidelines

- A Shareholders Communication Policy is in place to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about HKEx. The policy is regularly reviewed to ensure its effectiveness and is posted on the About HKEx (Corporate Governance) section HKEx website.
- A Shareholders' Guide with answers to the frequently asked questions raised by Shareholders with regard to their interests in HKEx shares is posted on the About HKEx (Corporate Governance) section of the HKEx website.

#### Shareholding analysis

- Periodic analysis of HKEx's shareholding profile is conducted to help better understand Shareholders' interests and needs, and the analysis for 2013 will be set out in the Shareholding Analysis section of the 2013 Annual Report. HKEx's market capitalisation and public float as at 31 December 2013 will be set out in the Information for Stakeholders and Directors' Report sections of the 2013 Annual Report respectively.

# 2013 CORPORATE GOVERNANCE REPORT

The important dates for Shareholders in 2013 and the results announcement schedule in 2014 are set out in the Financial Calendar under the About HKEx (Investor Relations) section of the HKEx website.

The Board is grateful to Shareholders and other stakeholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by post to HKEx, Secretarial Services Department, 12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, or by email to [ssd@hkex.com.hk](mailto:ssd@hkex.com.hk).

## 2013 Annual General Meeting

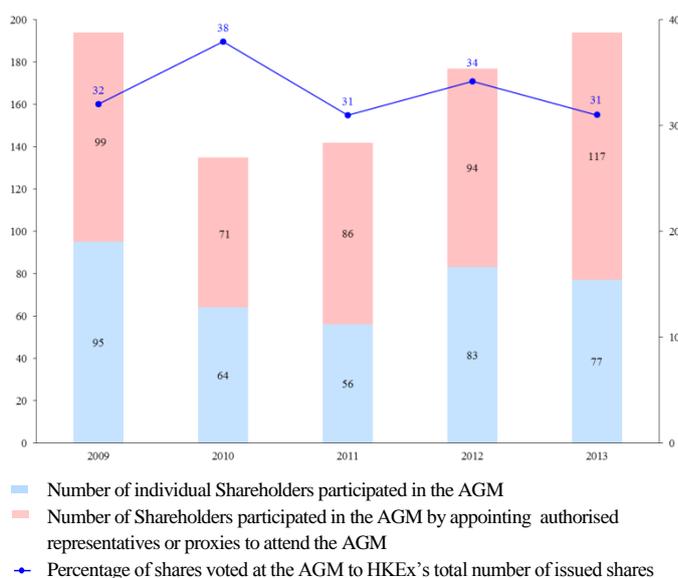
The Board and the management are committed to the constructive use of the AGM as a forum to meet with Shareholders and to hear their views and answer their questions about the Group and its business.

All the Directors, including HKEx's Chairman who was also chairing the Nomination Committee and Remuneration Committee as well as the chairman of the AC, on the Board when the 2013 AGM was held attended the meeting along with key executives and the external auditor.

At the 2013 AGM, HKEx continued its practice of proposing separate resolutions on each substantially separate issue. All resolutions were passed by way of a poll conducted by the Company's registrar and verified by an independent scrutineer. The poll voting results and the minutes of the meeting are available under the About HKEx (Investor Relations) section of the HKEx website.

To enhance efficiency and transparency in the vote counting process, the Company adopted an electronic poll voting system at the 2013 AGM. The results of the voting in respect of each resolution were instantaneously displayed at the meeting.

Participation in Annual General Meetings



## Matters Resolved at the 2013 AGM

- Received the audited financial statements for the year ended 31 December 2012 together with the Reports of the Directors and the Auditor
- Payment of the final dividend of \$1.46 per share (with scrip alternative) for the year ended 31 December 2012
- Election of Messrs John Strickland and Oscar Wong as Directors
- Re-appointment of PricewaterhouseCoopers as Auditor of the Company and authorisation to the Directors to fix the Auditor's remuneration
- Approval of a general mandate for the Directors to repurchase shares of an amount not exceeding 10 per cent of the aggregate nominal amount of the Company's issued share capital as at the date of 2013 AGM
- Approval of a general mandate for the Directors to allot, issue and deal with new shares of an amount not exceeding 10 per cent of the aggregate nominal amount of the Company's issued share capital as at the date of 2013 AGM, provided any shares to be allotted and issued (whether for cash or otherwise) under such authority are not at a discount of more than 10 per cent to the "benchmark price" (as described in Rule 13.36(5) of the Main Board Listing Rules)

# 2013 CORPORATE GOVERNANCE REPORT

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## 2014 Annual General Meeting

All Shareholders are encouraged to attend the 2014 AGM and exercise their right to vote. It is expected that all Directors will attend the meeting. Shareholders are invited to ask questions related to the business of the meeting, and will have an opportunity to meet with Directors and the management after the conclusion of the meeting.

Apart from usual business at the 2014 AGM, the Board has proposed general mandates for the repurchase of HKEx shares and the issue of HKEx shares, and to raise the remuneration of Non-executive Directors (including HKEx's Chairman) and members (excluding HKEx's Executive Director) of certain Board Committees. The Board has also proposed to adopt a new set of Articles of Association in substitution for, and the exclusion of, HKEx's Memorandum and Articles of Association in light of the new Companies Ordinance (Chapter 622 of the laws of Hong Kong) which will come into operation effective 3 March 2014. Further details of business to be conducted at the 2014 AGM will be set out in the circular to Shareholders to be sent together with the 2013 Annual Report and posted under the About HKEx (Investor Relations) section of the HKEx website. The poll results of each of the proposed resolutions will be published on the HKEx website shortly after the 2014 AGM is held.

## Changes after Closure of Financial Year

This report takes into account the changes that have occurred since the end of the 2013 to the date of the approval of this report.

On behalf of the Board  
**MAU Kam Shing, Joseph**  
Company Secretary

Hong Kong, 26 February 2014

# 2013 CORPORATE GOVERNANCE REPORT

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## Glossary

2013 AGM	AGM held on 24 April 2013 at 4:30 pm at the Exchange Auditorium in the Exchange Exhibition Hall of the Stock Exchange
2014 AGM	AGM to be held on 16 April 2014
AGM(s)	HKEx's annual general meeting(s)
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEx's board of directors
CCASS	The Central Clearing and Settlement System
CNS	Continuous Net Settlement
Corporate Governance Code	Refers to Appendix 14 to the Main Board Listing Rules
CP(s)	Clearing Participant(s)
CSR	Corporate Social Responsibility
Director(s)	HKEx's director(s)
Elected Directors	Directors elected by the Shareholders at general meetings
EP(s) or Participant(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Financial Secretary	Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China
Government	Government of the Hong Kong Special Administrative Region of the People's Republic of China
Government Appointed Director(s)	Director(s) appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKEx's Articles	HKEx's Articles of Association
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSCC	Hong Kong Securities Clearing Company Limited
INED(s)	Independent Non-executive Director(s) of HKEx
IT	Information Technology
LME	The London Metal Exchange
LME Clear	LME Clear Limited
LME Group	LMEH, LME and LME Clear
LMEH	LME Holdings Limited
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
OTC Clear	OTC Clearing Hong Kong Limited
Senior Management	Refers to the Group's senior executives as set out in the 2013 Annual Report
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shareholders	HKEx's shareholders
Share Award Scheme or the Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006, 13 May 2010 and 17 December 2013
UK	United Kingdom
US	United States of America
\$	Hong Kong dollar
\$m	Hong Kong dollar in million