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

## **2014 Corporate Governance Report**

As at 5 March 2015, 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, Dr HU Zulu, Fred, 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 Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEX's Chief Executive.

# 2014 CORPORATE GOVERNANCE REPORT

## Compliance with Corporate Governance Code

Throughout the year ended 31 December 2014, 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 88(4) 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 88(5) 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 109(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.

HKEx has applied the principles of the Corporate Governance Code to its corporate governance structure and practices as set out under the About HKEx (Corporate Governance) section of the HKEx website. The Board has delegated its corporate governance functions to the Environmental, Social and Governance Committee. A summary of the work done by the Environmental, Social and Governance Committee in 2014/2015 is set out in the ESG Committee Report of the 2014 Annual Report which will be available on the HKEx website before 25 March 2015.

## 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. An annual full-day offsite meeting is held at the beginning of each year to review and fine-tune the Group's strategies. The Group's Strategic Plan 2013-2015 is available under the About HKEx (Corporate Information) section of the HKEx website.

### Work Done in 2014 under Strategic Plan 2013-2015

- Chief Executive's Review \*
- Business Review \*

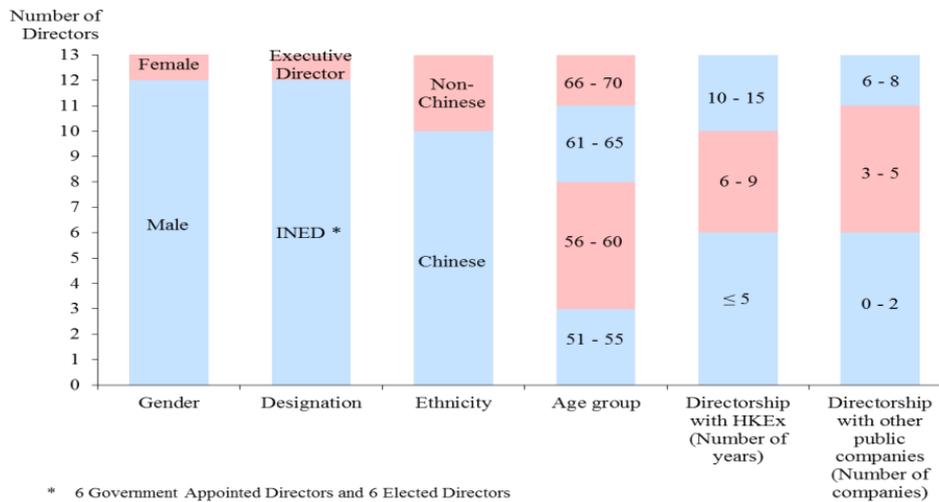
\* As set out in the Results Announcement published on the HKEx website on 5 March 2015

## The Board

### Board Composition

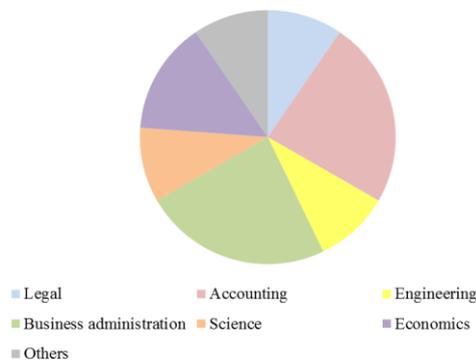
The Board structure is governed by Article 88 of HKEx's Articles and Section 77 of the SFO. There is a well balance of skills and experience on the Board which comprises 13 members. In November 2014, HKEx was pleased to welcome Dr Fred Hu to the Board. Dr Hu is a prominent economist and has significant experience in the financial industry, in particular the Mainland financial sector.

# 2014 CORPORATE GOVERNANCE REPORT

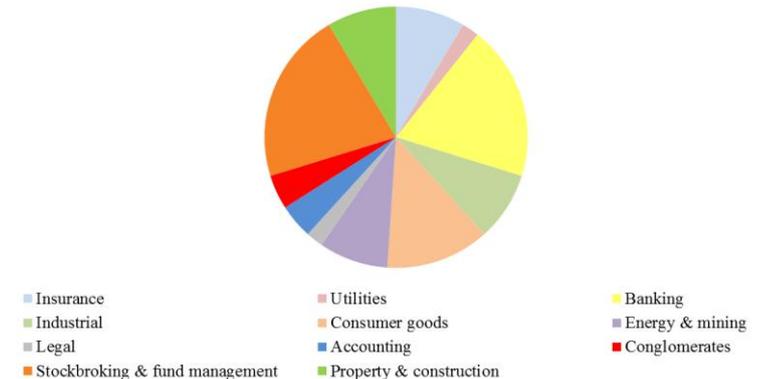


The staggered terms of service enables the Board to retain a core team of veteran Directors who are conversant with the Group's ongoing business and seek skilled people to bring new and fresh perspectives and diverse experience to the Board. The process for the nomination of Directors is led by the Nomination Committee and is set out on page 9.

## Academic Background



## Business Experience



The biographical details of all current Directors (including their roles, functions and respective terms of office at HKEx as well as their skills and experience) are set out in the Board of Directors and Senior Management section of the 2014 Annual Report, and are available under the About HKEx (Organisation) section of the HKEx website.

## Appointment and Election of Directors

### Changes in Directors during 2014

- In March 2014, the Government announced the re-appointment of Messrs C K Chow and Tim Freshwater as Directors, each for a term of approximately 2 years from the close of the 2014 AGM until the conclusion of the AGM to be held in 2016.
- At the 2014 AGM, Dr Bill Kwok and Mr Vincent Lee were re-elected by Shareholders, each for a term of approximately 3 years from 16 April 2014 until the conclusion of the AGM to be held in 2017.
- Mr John Strickland resigned as a Director on 31 October 2014.
- Dr Fred Hu was appointed as a Director effective 10 November 2014 to fill the casual vacancy that arose upon the resignation of Mr Strickland.

The service terms of 4 Government Appointed Directors, namely, Messrs John Harrison, Stephen Hui and Michael Lee and Mrs Margaret Leung, and 2 Elected Directors, namely Messrs T C Chan and John Williamson, will expire at the conclusion of the 2015 AGM. Dr Fred Hu shall retire at the 2015 AGM. Pursuant to Articles 88(4), 90 and 91(2) of HKEx's Articles, they are all eligible for re-appointment.

# 2014 CORPORATE GOVERNANCE REPORT

## 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.



### Re-appointment of Chairman in 2014

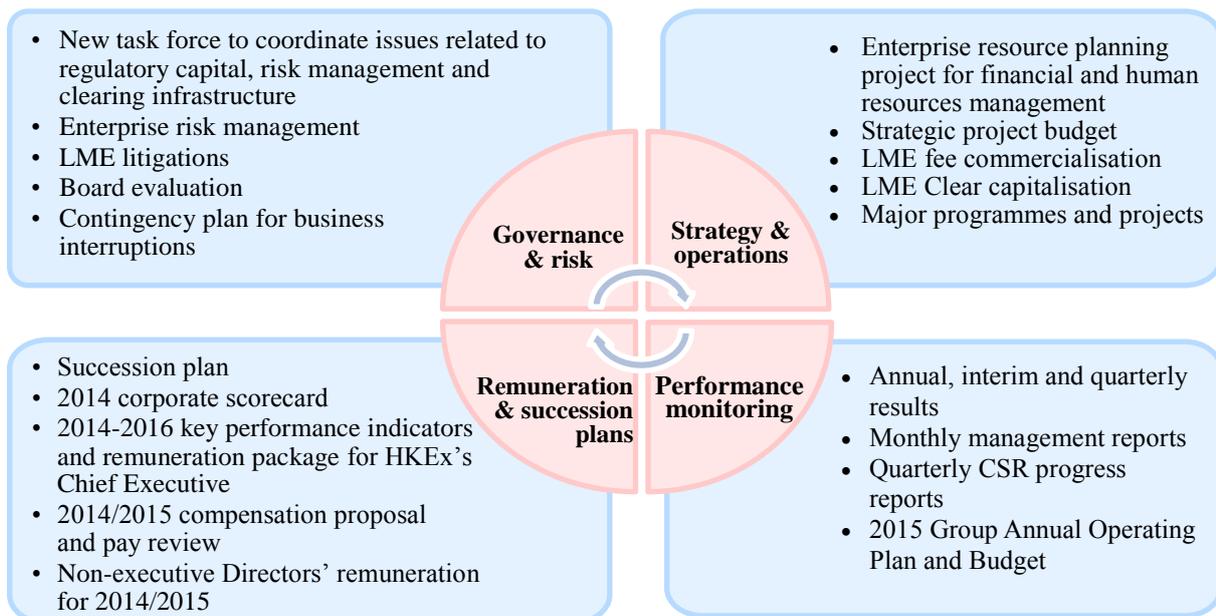
The Board on 17 April 2014 re-appointed Mr C K Chow as HKEx's Chairman for a term to be coterminous with his directorship with HKEx. Pursuant to Section 69 of the SFO, the Chief Executive of the HKSAR approved his re-appointment which took effect on 25 April 2014.

## 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 laying down strategies and overseeing their 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 operates under defined terms of reference, which are available under the About HKEx (Organisation) section of the HKEx website.

### Key Matters Addressed by the Board during 2014



# 2014 CORPORATE GOVERNANCE REPORT

## Board Effectiveness

The Board recognises the importance and benefits of conducting regular evaluations of its performance. The Board commissioned an externally facilitated evaluation in 2014.

The evaluation process was led by an independent external consultant with previous experience of evaluating and making recommendations to improve the Board effectiveness. The objectives of the evaluation were to assess whether the Board/committees, HKEx's Chairman and other Directors have adequately and effectively performed its/their roles and fulfilled its/their duties and responsibilities, and to recommend areas for improvement.

### Key Evaluation Findings

- The Board continues to operate to a very high standard, compared both to Hong Kong and global benchmarks.
- HKEx continues to attract Non-executive Directors of high calibre. Board and committee members bring relevant professional experience and skills, and all Board members, including those appointed by the Government, rigorously maintain independence of view.
- The relationships between Board and committee members are strong.
- The support provided by HKEx to the Board and committees is of high quality.
- Board discussions enable a good level of strategic debate and oversight of HKEx's performance and its management.
- The Board committees operate effectively.

The Board welcomes the consultant's recommendations for further improvements, and has committed to implementing the recommendations, where appropriate.

## Independence of Non-executive Directors

All Directors (with the exception of HKEx's Chief Executive being the only Executive Director) are INEDs since HKEx's listing. Assessments of Non-executive Directors' independence are carried out upon appointment, annually and at any other time where the circumstances warrant reconsideration. The Board acknowledges that it is crucial for an independent Board to provide objective and constructive challenge to the viewpoints presented by management.

### Assessments of Non-executive Directors' Independence for 2014

#### Assessment upon Director's appointment

Dr Fred Hu, upon his appointment, confirmed in writing to the SFC –

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

#### Annual assessment

On 5 March 2015, 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 attention was given to assessing the independence of the Government Appointed Directors (including Mr C K Chow who is an Executive Councillor) given that the Government is a Minority Controller of HKEx.
- Consideration was given to the independence of Dr Bill Kwok, Mr Vincent Lee and Mr Oscar Wong, who have been serving on the Board for more than 9 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 2014.
- None of the Directors have any financial, business, family or other material/relevant relationships with each other, in particular, 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 13 to 14.

# 2014 CORPORATE GOVERNANCE REPORT

## Induction and Development

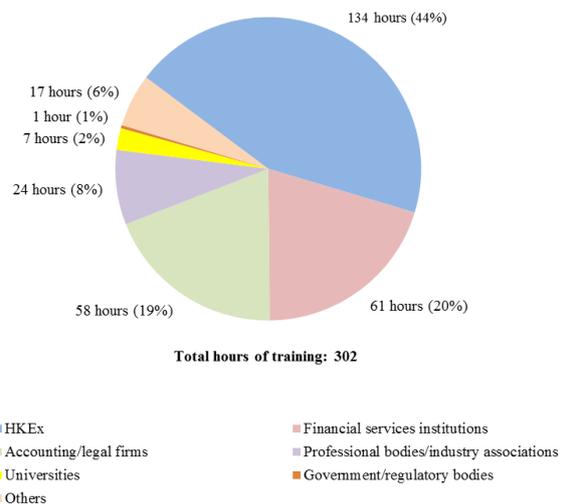
An induction programme was held for Dr Fred Hu to ensure that he has a firm understanding of the Group's operations as well as his associated role and responsibilities. Details of the programme are set out below.

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, guidelines on conduct, CSR strategy and management</li> <li>• Director's duties and responsibilities</li> <li>• HKEx's business (Listing, Global Markets, Global Clearing and IT)</li> <li>• Financial and risk management</li> </ul>	Company Secretary  External legal adviser Respective division/department heads and senior executives

A Director's Handbook is given to every new Board member, 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. All Directors are required to provide the Company with their training records on a semi-annual basis, and the records are maintained by the Company Secretary for annual review by the ESG Committee. In 2014, each Director received over 10 hours of training and a majority of them attended over 20 hours. The training records of the Directors were reviewed by the ESG Committee in February 2015.

**Analysis of Directors' Training in 2014 by Training Organiser \***



\* Including Mr John Strickland who resigned from the Board effective 31 October 2014

**Analysis of Directors' Training in 2014 by Training Topic**

	HKEx's strategy/business	Economy/financial markets and products	Director's duties/governance practices	Risk management	Legislative/regulatory compliance	Induction programme	Electronic platform for Board papers	Others
<b>INEDs</b>								
C K Chow (Chairman)	✓		✓		✓			
T C Chan	✓		✓	✓				
Timothy Freshwater	✓	✓	✓	✓				
John Harrison	✓	✓	✓	✓				✓
Fred Hu <sup>1</sup>			✓			✓	✓	
Stephen Hui	✓		✓	✓				✓
Bill Kwok	✓		✓	✓				
Michael Lee	✓	✓	✓	✓	✓			
Vincent Lee		✓	✓	✓				
Margaret Leung	✓	✓	✓	✓	✓			✓
John Strickland <sup>2</sup>	✓		✓	✓				
John Williamson	✓	✓			✓			
Oscar Wong	✓		✓	✓				
<b>Executive Director</b>								
Charles Li	✓	✓		✓				
<b>Total Number of Hours Attended by all Directors</b>	<b>138</b>	<b>46</b>	<b>61</b>	<b>26</b>	<b>17</b>	<b>9</b>	<b>1</b>	<b>4</b>

Notes:

<sup>1</sup> Dr Hu was appointed as a Director effective 10 November 2014.

<sup>2</sup> Mr Strickland resigned from the Board effective 31 October 2014.

# 2014 CORPORATE GOVERNANCE REPORT

## Board Process

Directors are expected to devote sufficient time and attention to performing their duties and responsibilities. The high attendance record at the Board and its committee meetings in 2014, which was reviewed and confirmed by the Nomination Committee on 5 March 2015, demonstrates Directors' strong commitment to the Company.

### Key Features of Board Process in 2014

- The Board held 10 meetings, 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 supplement the formal Board meetings, HKEx's Chairman had regular gatherings with Directors, occasionally without the presence of HKEx's Chief Executive, to consider issues in an informal setting. During 2014, a total of 3 Board lunches and a dinner were held, including one attended only by Non-executive Directors and another one with the presence of the Group's senior executives.
- All Directors are entitled to seek independent professional advice regarding their duties at the Company's expense.
- Directors' and Officers' liability insurance has been arranged. The terms and extent of the cover for 2014/2015 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 meetings or voting on the proposals. In 2014, Mr Tim Freshwater did not participate in discussions on a business matter where there was a potential conflict of interest.
- Declared interests are properly recorded and the register is accessible by each and every Board member.
- 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.
- All Directors were provided with a tablet computer to access Board/committee papers through an electronic platform. A reading room was added to the platform to provide Directors with access to comprehensive information relevant to their duties. The electronic platform ensures timely and secure provision of information to Directors whilst at the same time reducing the environmental impact of Board/committee meetings.

### Attendance Record of Directors and Committee Members in 2014

	2014		Audit Committee	Environmental, Social and Governance Committee	Executive Committee	Investment Advisory Committee	Nomination Committee	Panel Member Nomination Committee <sup>1</sup>	Remuneration Committee	Risk Management Committee (statutory)
	AGM	Board								
<b>Number of Meetings</b>	<b>1</b>	<b>10</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>–</b>	<b>4</b>	<b>12</b>
<b>Total Duration (approximate number of hours)</b>	<b>1</b>	<b>34</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>–</b>	<b>7</b>	<b>10</b>
<b>INEDs</b>										
C K Chow (Chairman)	1/1	10/10		1/1	5/5		2/2		4/4	11/12
T C Chan	1/1	10/10	4/4				2/2	–		11/12
Timothy Freshwater <sup>2</sup>	1/1	10/10			5/5	3/3	2/2			
John Harrison <sup>3</sup>	1/1	10/10	4/4	1/1						
Fred Hu <sup>4</sup>		1/1								
Stephen Hui	1/1	10/10		1/1		4/4				
Bill Kwok	1/1	9/10	4/4		5/5			–	4/4	
Michael Lee	1/1	10/10	4/4	1/1		3/4		–		
Vincent Lee	1/1	9/10	4/4		5/5			–	4/4	
Margaret Leung <sup>5</sup>	1/1	10/10							3/4	9/12
John Strickland <sup>5</sup>	0/1	8/8				3/3				
John Williamson <sup>6</sup>	1/1	9/10	4/4	–			2/2		4/4	
Oscar Wong	1/1	10/10				4/4	2/2	–		
<b>Executive Director</b>										
Charles Li	1/1	10/10		1/1	3/5					
<b>Market Professionals</b>										
Chan Ngai Hang										9/12
He Guangbei <sup>7</sup>										0/1
Benjamin Hung <sup>8</sup>										3/5
Howard Lee										11/12
Michael Liu										11/12
Keith Lui										12/12
David Lui						4/4				
May Tan <sup>9</sup>										4/6
<b>Average Attendance Rate</b>	<b>92%</b>	<b>98%</b>	<b>100%</b>	<b>100%</b>	<b>92%</b>	<b>95%</b>	<b>100%</b>	<b>N/A</b>	<b>95%</b>	<b>84%</b> <sup>10</sup>

# 2014 CORPORATE GOVERNANCE REPORT

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Notes:

- 1 No meeting of the Panel Member Nomination Committee took place in 2014.
- 2 Mr Freshwater was appointed as a member of the Investment Advisory Committee effective 17 April 2014.
- 3 Mr Harrison ceased to be a member of the Environmental, Social and Governance Committee effective 17 April 2014.
- 4 Dr Hu was appointed as a Director effective 10 November 2014.
- 5 Mr Strickland resigned as a Director and the chairman of the Investment Advisory Committee on 31 October 2014.
- 6 Mr Williamson was appointed as a member of the Environmental, Social and Governance Committee effective 17 April 2014. No meeting of the Environmental, Social and Governance Committee took place during the period between 17 April and 31 December 2014.
- 7 Mr He ceased to be a member of the Risk Management Committee (statutory) effective 20 January 2014.
- 8 Mr Hung was appointed as a member of the Risk Management Committee (statutory) for the period from 20 January to 6 July 2014.
- 9 Ms Tan was appointed as a member of the Risk Management Committee (statutory) effective 7 July 2014.
- 10 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's biography is set out in the Board of Directors and Senior Management section of the 2014 Annual Report. During 2014, 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 various committees which operate under defined terms of reference. Committees' composition and terms of reference are reviewed and updated regularly to ensure that they remain appropriate and in line with the Group's business and changes in governance practices.

The committees' member lists are set out in the Board and Committees section of the 2014 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 7.

### 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 3 meetings in 2014 and up to 5 March 2015.

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#### Summary of Work Done in 2014/2015

- Nominated candidates to stand for election by Shareholders at the 2014 and 2015 AGMs
  - Reviewed and confirmed the independence of the 12 INEDs
  - Reviewed time commitment from Directors to perform their responsibilities
  - Nominated Dr Fred Hu for consideration by the Board to fill the casual vacancy that arose upon the resignation of Mr John Strickland
  - Considered the Board's composition taking into account the Board Diversity Policy
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# 2014 CORPORATE GOVERNANCE REPORT

On 5 March 2015, the Committee, after having reviewed the Board's composition, nominated Mr T C Chan, Dr Fred Hu and Mr John Williamson to the Board for it to recommend them to stand for election by Shareholders at the 2015 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. The Board Diversity Policy is available under the About HKEx (Corporate Governance) section of the HKEx website. An analysis of the current Board's composition based on these criteria is set out on page 3.

On 5 March 2015, the Committee's nominations were accepted by the Board. As a good governance practice, Mr Chan, Dr Hu and Mr Williamson each abstained from voting at the Committee meeting and/or Board meeting on their nominations for election by Shareholders. Mr Chan, Dr Hu and Mr Williamson 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 2014 Annual Report and posted on the About HKEx (Investor Relations) section of the HKEx website.

## Consultative Panels

Apart from the Board committees, there are 3 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.

Meetings Held in 2014	
	Number of meetings
Cash Market Consultative Panel	2
Derivatives Market Consultative Panel	4
Clearing Consultative Panel	2

## Management Functions

The senior 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 strategies laid down by the Board. The Management Committee, chaired by HKEx's Chief Executive, is the management decision making body of the Group and aims to meet at least twice a month. Its members and details of its duties are available under the About HKEx (Organisation) section of the HKEx website.

The updated organisation structure is available under the About HKEx (Organisation) section of the HKEx website. The list of Senior Management and their respective biographies are set out in the Board of Directors and Senior Management section of the 2014 Annual Report.

## Senior Management Succession Planning

The Board recognises the importance of having continuity in the senior management, and leaders with appropriate skills and experience to support the delivery of the Group's strategic priorities. Senior management succession planning is a regular Board agenda item and considered by the Board annually.

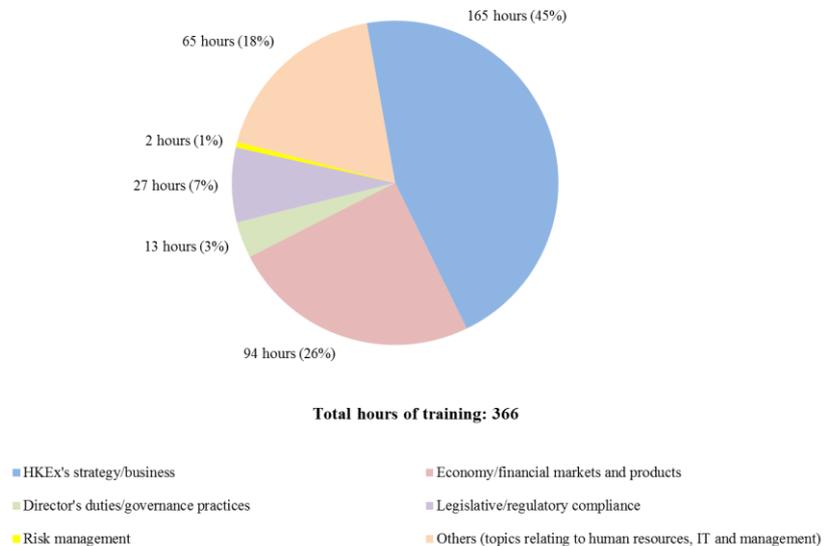
# 2014 CORPORATE GOVERNANCE REPORT

## Management Training

Ongoing professional development is important to the 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 February 2015.

Further information about training attended by the Group's employees during 2014 is set out in the 2014 Corporate Social Responsibility Report which will be available on the HKEx website before 25 March 2015.

**Analysis of Senior Management's Training in 2014 by Training Topic**



## Subsidiary Governance

Governance is important at all levels of the organisation. 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 on the subsidiaries' activities, there are some common memberships between the Board and the board and committees of HKEx's subsidiaries. Details about these linkages are set out in HKEx's corporate governance structure, which is available under the About HKEx (Corporate Governance) section of the HKEx website.

Further 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.

## 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 2014 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 complied with the Model Code at all applicable times during the year ended 31 December 2014.

# 2014 CORPORATE GOVERNANCE REPORT

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

As at 31 December 2014, 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 Stock 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 HKEx <sup>1</sup> shares in issue
	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
Vincent Lee	–	–	–	500,000 <sup>4</sup>	500,000	0.04
Charles Li	392,395 <sup>5</sup>	–	–	–	392,395	0.03

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

Name of Director	Number of shares/underlying shares held				Total	% of HKEx <sup>1</sup> shares in issue
	Personal interests	Family interests	Corporate interests	Other interests		
Vincent Lee	–	–	–	109,300 <sup>6</sup>	109,300	0.00

Notes:

- 1 Based on 1,168,165,636 HKEx shares in issue as at 31 December 2014
- 2 Mr Chow was the beneficial owner of those shares.
- 3 Mrs Leung's spouse was the beneficial owner of those shares.
- 4 Mr Lee was interested in 500,000 underlying shares of HKEx through certain listed equity derivatives (physically settled options) held by Lee Tung Hai Family Trust, a trust of which he is a beneficiary.
- 5 It included Mr Li's interests in Awarded Shares and shares acquired out of the dividends from the Awarded Shares in an aggregate of 156,911 shares which remained unvested under the Share Award Scheme. Details of Mr Li's Awarded Shares are set out in the 2014 Remuneration Committee Report.
- 6 Mr Lee had a short position in 109,300 underlying shares of HKEx through certain listed equity derivatives (physically settled options) held by Lee Tung Hai Family Trust, a trust of which he is a beneficiary.

Save for those disclosed above, as at 31 December 2014, 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 Stock Exchange (in the case of HKEx, the SFC) pursuant to the Model Code.

Apart from the Awarded Shares as disclosed in the 2014 Remuneration Committee Report, during the year ended 31 December 2014, 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.

# 2014 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 9 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 2014, the 9 approved Minority Controllers in aggregate held approximately 60 per cent of HKEx shares in issue.

As at 31 December 2014, 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 HKEx <sup>1</sup> shares in issue
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	5.71

Notes:

- 1 Based on 1,168,165,636 HKEx shares in issue as at 31 December 2014
- 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 2014, 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 2014, Senior Management's interests in the shares and underlying shares of HKEx were as set out below.

# 2014 CORPORATE GOVERNANCE REPORT

Name of employee	Number of shares held	Number of shares remained unvested under the Share Award Scheme	Derivatives (number of underlying shares)
Margaret Cheng	–	14,684	–
Bill Chow	414,048	14,055	–
David Graham	–	28,105	–
Henry Ingrouille	7,700	22,763	–
Garry Jones	–	11,396	–
Paul Kennedy	–	8,439	–
Romnesh Lamba	100,165	43,598	–
Richard Leung	36,461	18,815	–
Ketan Patel	252	11,953	–
Trevor Spanner	–	37,601	–
Calvin Tai	119,867	22,692	–

## 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 2014 and subject to the waiver, the Group had the following continuing connected transactions.

### Continuing Connected Transactions for the Year ended 31 December 2014

<p>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:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p>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:</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p>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 to as Buy-in Transactions):</p> <ul style="list-style-type: none"> <li>• WSL is one of the brokers appointed by HKSCC under an agreement for assisting HKSCC to carry out Buy-in Transactions. Dr Bill Kwok, an INED, is taken to be interested in the Buy-in Transactions entered into by WSL which is Dr Kwok's associate by virtue of the Main Board Listing Rules. During the year ended 31 December 2014, no Buy-in Transaction was conducted by WSL.</li> </ul>

The Audit Committee comprising 6 INEDs, under the authority delegated by the Board, reviewed the above continuing connected transactions pursuant to Rule 14A.55 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 Audit Committee respectively, abstained from reviewing the respective transactions in which they had an interest. The Audit Committee confirmed that:

## 2014 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.56 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 2014, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards, which include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Main Board Listing Rules have been complied with. Details of the material related party transactions are disclosed in note 48 to the Consolidated Financial Statements for the year ended 31 December 2014.

### **Accountability and Audit**

#### **Financial Reporting**

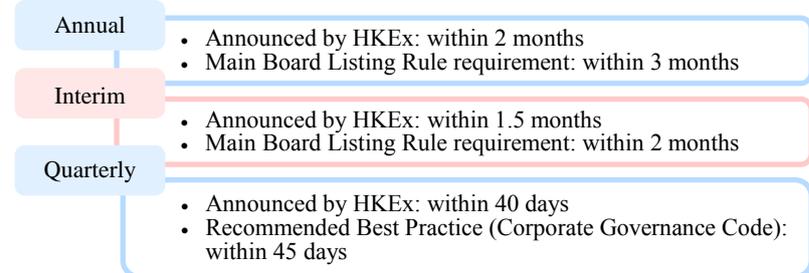
The Board is responsible for overseeing the preparation of annual financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year. Management provides the Board with management accounts and updates on a monthly basis, with a view to giving a balanced 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 2014, the Board:

# 2014 CORPORATE GOVERNANCE REPORT

- (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 and show a true and fair view of the state of affairs of HKEx and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year.

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 Published in 2014 (after the relevant period-end)



## Risk Management and Internal Control

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems for the Group (including reviewing their effectiveness) to safeguard Shareholders' investment and the Group's assets. To this end, management continues to allocate resources for 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 the risk 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 Group continues to review the adequacy of its risk management and control framework and looks for opportunities to make improvements and add appropriate resources when necessary.

In light of HKEx's nature of business and its strategic importance to the Hong Kong's financial markets and the world's metals industry and based on the recommendations of the OECD (Organisation for Economic Co-operation and Development) on the board's role in risk management, the Board on 5 March 2015 resolved to establish a Risk Committee to be responsible for the Group's enterprise-wide risk management including overseeing the relevant risk management systems and ensuring that they are compatible with the Group's strategy and risk appetite. The Risk Committee's composition and terms of reference are available under the About HKEx (Corporate Governance) section of the HKEx website.

## Risk Governance

The Group's risk governance structure is based on the "3 lines of defence" model, with oversight and directions from the Board and various committees at HKEx and its subsidiaries.

# 2014 CORPORATE GOVERNANCE REPORT

## Key Enhancements and Measures Undertaken in 2014

### 1<sup>st</sup> line of defence – Risk management

- LME Clear participated in the risk assessment for the first time and their top risks have been incorporated into the Group Risk Report for 2014.
- Management conducts an Internal Control Self-evaluation annually, and in 2014, all division/department heads confirmed to the Internal Audit Department (IAD) that appropriate internal control policies and procedures have been established and properly complied with.
- Different policies, procedures and guidelines have been adopted with defined authority for effective segregation of duties and controls, and they are kept under regular review. In 2014, the Management Committee approved a policy and procedures for the creation, governance and ongoing storage and management of Group-wide policies.
- Whistleblowing policies are in place to facilitate internal reporting of any malpractice within HKEx and the LME without fear of reprisal or victimisation.
- HKEx's Continuous Disclosure and Communication Policy is in place to provide employees with guidelines on reporting and disseminating inside information, maintaining confidentiality and complying with dealing restrictions.

### 2<sup>nd</sup> line of defence – Risk oversight

- The risk governance structure has been enhanced by: (i) the appointment of the Group Risk Officer, a newly created position to oversee all of the Group's risk functions and head the new Risk Management Division; and (ii) the establishment of Regulatory Compliance Department to lead or facilitate the self-assessments and on-site reviews on the adequacy of procedures for compliance with the Group's regulatory obligations.
- The HKEx Enterprise Risk Management Framework was refined to help management assess and manage risks from new business activities and environments.
- There was further investment in information security in line with industry best practice. For example, various control improvements were introduced to reduce the risk of cyber security threats within HKEx, and a security awareness training module was provided to educate all employees of HKEx and the LME their responsibilities.
- The HKEx Escalation and Incident Reporting Policy has been refined to ensure it continues to provide a framework for effective communication and action from appropriate stakeholders.

### 3<sup>rd</sup> line of defence – Independent assurance

- The IAD is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control and risk management systems and reporting the review results regularly to the Board through the Audit Committee. Its work covers all material controls, including the financial, operational and compliance controls and risk management functions.
- The IAD conducted a review of the Group's Enterprise Risk Management Framework and processes. No significant deficiencies were identified.
- During 2014, certain Group companies continued to be involved in litigation related to the metals warehousing industry. The relevant details and financial effect are disclosed in note 46 to the Consolidated Financial Statements for the year ended 31 December 2014. 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 by the IAD during 2014.
- The Group's IT systems are subject to independent reviews to ensure their integrity, reliability, availability and stability. For example, an independent review of the LME's core IT systems was completed in 2014, and a number of initiatives, as recommended in an independent IT security risk and infrastructure review of HKEx's IT systems performed in 2012, were carried out in 2014 to enhance IT security.
- Further details of the IAD's role and its internal audit methodology and processes are available under the About HKEx (Corporate Governance) section of the HKEx website.

The Audit Committee, on behalf of the Board, assesses the effectiveness of the risk management and internal control systems on a regular basis by reviewing the IAD's work and findings.

Further details of the Audit Committee's work done in 2014/2015 and its reviews of the risk management and internal control systems and the accounting, internal audit and financial reporting functions of the Group are set out in the Audit Committee Report of the 2014 Annual Report.

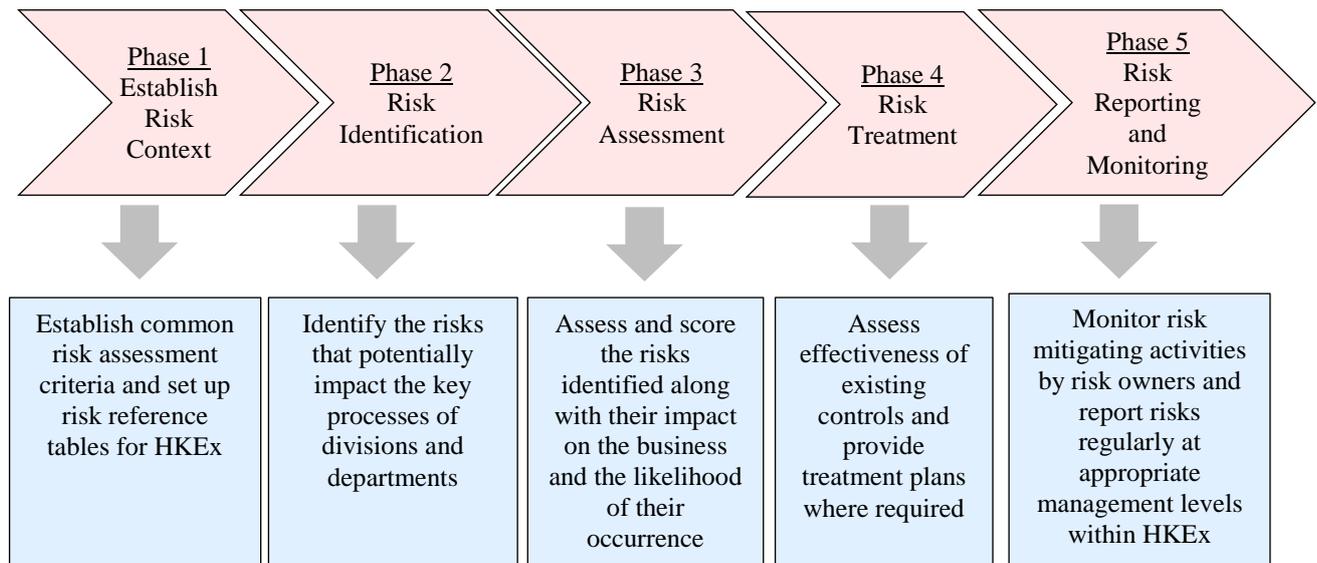
# 2014 CORPORATE GOVERNANCE REPORT

## Enterprise Risk Management Framework

The Group prudently manages the risks associated with its business and operations. HKEx, the LME and LME Clear have their own enterprise risk management (ERM) framework. The HKEx ERM Framework is designed to enhance risk management through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

- (i) promote consistent risk identification, measurement, reporting and mitigation;
- (ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting; and
- (iii) develop and communicate policies on risk management and control aligned with the business strategy.

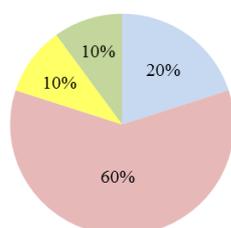
### Key ERM Processes



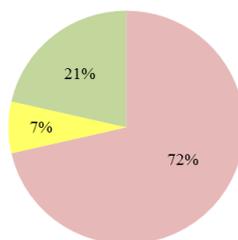
### Significant Risks

In 2014, HKEx conducted a Group-wide exercise based on the HKEx ERM Framework to review the identified risks and assess the risks which might arise from both existing and new businesses. The Group Risk Report for 2014 was compiled to cover: (i) the top risks of HKEx, the LME and LME Clear; (ii) changes in the nature and extent of the significant risks; and (iii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels. The Group Risk Report, as endorsed by the Management Committee in November 2014, was presented to the Board for review in December 2014 and the top risk of HKEx was presented to the Risk Management Committee (statutory) for information in January 2015. In the Group Risk Report, 4 categories of major risk types were identified and are illustrated in the diagrams below.

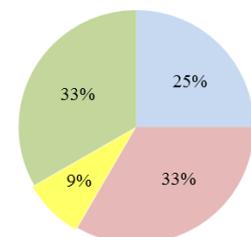
HKEx: Top 10 Risks



LME: Top 14 Risks



LME Clear: Top 12 Risks

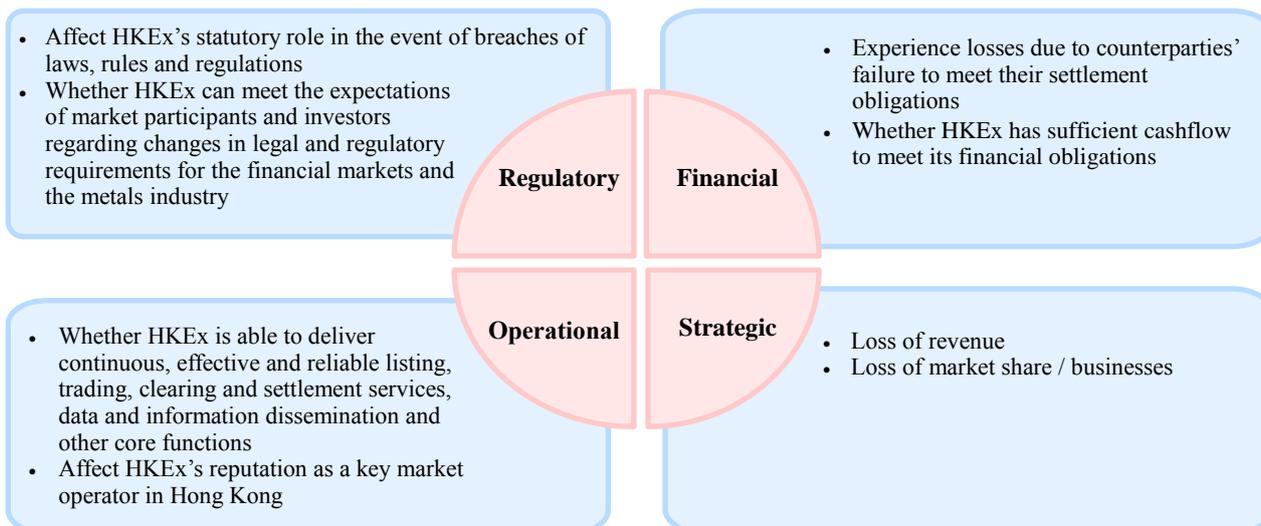


Financial (market, credit, liquidity)  
Regulatory

Operational (people, process, system, external events)  
Strategic

# 2014 CORPORATE GOVERNANCE REPORT

## HKEx's Key Risk Exposures



Information about the Group's management of its financial risks is set out in note 51 to the Consolidated Financial Statements for the year ended 31 December 2014.

## Independence of External Auditor

The Audit Committee 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 Audit Committee. To ensure that the policy of restricting the non-audit work done by the external auditor is strictly adopted by all entities within the Group, appropriate policies and procedures have been established for approval of engagement of the Group's independent external auditor, PricewaterhouseCoopers, 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 PricewaterhouseCoopers Hong Kong and all statutory audit fees for the Group companies are required to be approved by the Audit Committee.

Prior to the commencement of the audit of the Group's 2014 financial statements, the Audit Committee 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 Audit Committee reviewed the external auditor's statutory audit scope and non-audit services and approved its fees.

External Auditor's Services and Fees		
	2014	2013
	\$m	\$m
<b>Audit services</b>	12	9
<b>Non-audit services</b>		
• Tax advisory and compliance	4	5
• Other services	1	1
<b>Total</b>	<b>17</b>	<b>15</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 ended 31 December 2014. However, due to the changes to the Group's business operations, in particular the acquisition of the LME Group, the Board approved the extension of the service period of the current audit engagement partner from 5 years to a maximum of 7 years to safeguard the quality of the audit. This one-off extension has been agreed with PricewaterhouseCoopers, and complies with the Code of Ethics for Professional Accountants issued by the HKICPA.

# 2014 CORPORATE GOVERNANCE REPORT

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In addition, the Group has adopted a policy of not hiring employees of the external auditor who are or have been involved in the Group's audit so as to ensure no impairment of the auditor's judgement and independence with respect to its auditing. This policy has been strictly complied with since their adoption.

Further details of the external auditor's reporting responsibilities are set out in the Auditor's Report of the 2014 Annual Report. More information about the policies and procedures in safeguarding and supporting the independence and objectivity of the external auditor is available under 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 other 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 ensure that their views and concerns are understood and addressed in a constructive way.

## Investor Engagement and Communications

HKEx has a dedicated investor relations team which acts as the primary contact point for communications with investors and analysts. It has a comprehensive and well-established programme of engagement for institutional shareholders. The programme provides the opportunity for current and potential investors to meet with HKEx's Chief Executive, Co-heads of Global Markets, the Group Chief Financial Officer and other senior executives to get a better understanding of how the Group operates and how it intends to achieve its strategic and operational objectives.

### Key Investor Relations Activities

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

### Investor Relations Contact Details

Email: [info@hkex.com.hk](mailto:info@hkex.com.hk)  
Fax: (852) 2868 4084  
Tel: (852) 2840 3895

The views of investors are communicated to the Board 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, have a better understanding of the investors' issues or concerns.

To foster institutional investors' understanding of the Group's governance performance, HKEx continues to address the views and concerns raised by international ESG rating agencies such as GMI Ratings and Institutional Shareholder Services Inc by providing feedback and additional information in relation to the Group's governance principles and practices. Additional information about engagement with other stakeholders during 2014 is set out in the 2014 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.
- HKEx's commitment to pursuing quality and transparency in governance disclosure and financial reporting gained additional recognition from external professional organisations when its 2013 Annual Report received awards from the HKICPA and The Hong Kong Management Association in 2014.

#### HKEx website

- The HKEx website has become the primary channel of communication with the investing public. As at 31 December 2014, about 77 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

- Shareholder(s) representing at least 5 per cent of the total voting rights of all Shareholders having a right to vote at general meetings may request the Board to call a general meeting. The request must state the general nature of the business to be dealt with, and may include the text of a resolution that may properly be moved and is intended to be moved, at the meeting. Such request may consist of several documents in like form and be sent to the Company Secretary in hard copy form (at HKEx's registered office) or in electronic form (via email at [ssd@hkex.com.hk](mailto:ssd@hkex.com.hk)).
- Pursuant to Article 88(3) 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 submit a written notice of nomination which shall be given to the Company Secretary at HKEx's registered office. Details of the procedures for nominating candidates to stand for election as a Director at the 2015 AGM will be set out in the circular to Shareholders to be sent together with the 2014 Annual Report.
- The procedures for Shareholders to put forward proposals at general meetings include a written notice of those proposals being submitted by Shareholders to the Company Secretary in hard copy form (at HKEx's registered office) or in electronic form (via email at [ssd@hkex.com.hk](mailto:ssd@hkex.com.hk)). Details of the procedures for putting forward proposals by Shareholders are set out under the About HKEx (Corporate Governance) section of the HKEx website.

#### Policies 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 of the 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 2014 is set out in the Shareholding Analysis section of the 2014 Annual Report. HKEx's market capitalisation as at 31 December 2014 and public float are set out in the Information for Shareholders and Directors' Report sections of the 2014 Annual Report respectively.

# 2014 CORPORATE GOVERNANCE REPORT

The important dates for Shareholders in 2014 and the results announcement schedule in 2015 are set out in the Financial Calendar under the About HKEx (Investor Relations) section of the HKEx website.

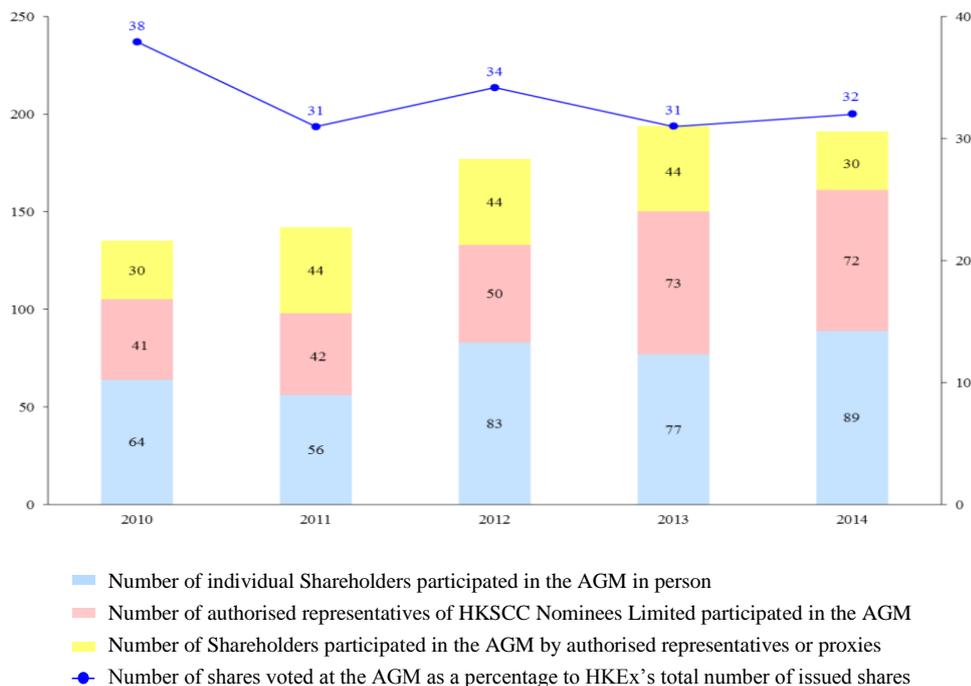
The Board is grateful to Shareholders and other stakeholders for their interest, and welcomes their views as well as any questions about the management and governance of the Group. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to the Company Secretary 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).

## 2014 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.

A majority of the Directors on the Board when the 2014 AGM was held, including HKEx's Chairman, who was also chairing the Nomination Committee and Remuneration Committee, the chairman of the Audit Committee and the chairmen and/or deputy chairmen of other Board committees, attended the meeting along with key executives and the external auditor.

### Participation in Annual General Meetings



At the 2014 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 continued to use an electronic poll voting system at the 2014 AGM. The results of the voting in respect of each resolution were instantaneously displayed at the meeting.

# 2014 CORPORATE GOVERNANCE REPORT

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## Matters Resolved at the 2014 AGM

- Received the audited financial statements for the year ended 31 December 2013 together with the Reports of the Directors and the Auditor
  - Payment of the final dividend of \$1.72 per share (with scrip alternative) for the year ended 31 December 2013
  - Election of Dr Bill Kwok and Mr Vincent Lee 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 HKEx shares not exceeding 10 per cent of the number of HKEx shares in issue (subject to adjustment in the case of any conversion of any or all of the HKEx shares into a larger or smaller number of shares after passing of the resolution) as at the date of 2014 AGM
  - Approval of a general mandate for the Directors to allot, issue and deal with additional HKEx shares not exceeding 10 per cent of the number of HKEx shares in issue (subject to adjustment in the case of any conversion of any or all of the HKEx shares into a larger or smaller number of shares after passing of the resolution) as at the date of 2014 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)
  - Approval of remuneration of \$1,500,000 and \$700,000 payable to HKEx's Chairman and each of the other Non-executive Directors respectively for their service during the period from the conclusion of each AGM to the conclusion of the AGM to be held in the immediately following year until Shareholders otherwise determine
  - Approval of, in addition to an attendance fee of \$3,000 per meeting, remuneration of \$180,000 and \$100,000 payable to the chairman and each of the other members of the Audit Committee respectively, and \$150,000 and \$100,000 to the chairman and each of the other members (excluding Executive Director, if any) of Executive Committee, Investment Advisory Committee and Remuneration Committee respectively during the period from the conclusion of each AGM to the conclusion of the AGM to be held in the immediately following year until Shareholders otherwise determine
  - Adoption of a new set of Articles of Association in substitution for, and to the exclusion of, HKEx's Memorandum and Articles of Association as amended by the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when it came into force effective 3 March 2014
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## 2015 Annual General Meeting

All Shareholders are encouraged to attend the 2015 AGM and exercise their right to vote. 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 2015 AGM, the Board has proposed general mandates for the buy-back of HKEx shares and the issue of HKEx shares, and adjustment of the Non-executive Directors' remuneration. Further details of business to be conducted at the 2015 AGM will be set out in the circular to Shareholders to be sent together with the 2014 Annual Report and posted on 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 2015 AGM is held.

## Changes after Closure of Financial Year

This report takes into account the changes that have occurred since the end of the 2014 to the date of the approval of this report.

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

Hong Kong, 5 March 2015

# 2014 CORPORATE GOVERNANCE REPORT

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## Glossary

2014 AGM	AGM held on 16 April 2014 at 4:30 pm at the Exchange Auditorium in the Exchange Exhibition Hall of SEHK
2015 AGM	AGM to be held on 29 April 2015
AGM(s)	HKEx's annual general meeting(s)
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEx's board of directors
CCASS	Central Clearing and Settlement System
CNS	Continuous Net Settlement
Corporate Governance Code	Refer 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
Financial Secretary	Financial Secretary of the HKSAR
Government	HKSAR Government
Government Appointed Directors	Directors 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
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSAR	Hong Kong Special Administrative Region of the People's Republic of China
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	LME Holdings, the LME and LME Clear
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
Senior Management	The Group's senior executives as set out in the 2014 Annual Report
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholder(s)	HKEx's shareholder(s)
Share Award 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
Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
\$	Hong Kong dollar
\$m	Hong Kong dollar in million