

**HONG KONG EXCHANGES AND CLEARING LIMITED**  
**(“Company” or “HKEX”)**

**TERMS OF REFERENCE AND MODUS OPERANDI OF**  
**BOARD EXECUTIVE COMMITTEE (“Committee”)**

**Objective**

To receive updates and/or approve material operational matters of the Group on a regular basis so as to allow the Company’s board of directors (“Board”) to devote more time to strategic matters.

**Membership**

1. The Committee shall consist of at least five members with alternates appointed by the Board. The Committee shall comprise the following persons:
  - (a) the Board Chairman;
  - (b) the Company’s Chief Executive; and
  - (c) three other Board members.
2. The Board Chairman shall be the Committee’s Chairman.
3. The Company Secretary or his nominee shall act as the Committee’s Secretary.
4. Each alternate Committee member appointed shall be entitled to act in the place of the Committee member and exercise and discharge all the powers and duties of the Committee member he/she represents should the Committee member be unable to be present at any meeting of the Committee. The Alternate of the Company’s Chief Executive shall be an executive of the Company.

**Frequency and proceedings of meetings**

5. The Committee shall meet if necessary once a month and no less than quarterly.
6. The meetings may be held through a combination of physical meetings, conference/ video calls or written circulations.
7. The Committee’s Chairman may convene additional meetings at his/her discretion.
8. The quorum of a meeting shall be three Committee members or any of their alternates. Either the Chairman or the Company’s Chief Executive must be present.
9. Proceedings of the Committee’s meetings shall be governed by Articles 105 and 106 of the Company’s Articles of Association.

## **Duties, powers and functions**

10. The Committee's duties, powers and functions shall be as follows:
- (a) in accordance with Appendix 1;
  - (b) without prejudice to the generality of the foregoing:-
    - (i) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board;
    - (ii) to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the Company's constitution; and
    - (iii) to delegate at any time and from time to time to any person or sub-committee(s) comprising such members as it sees appropriate, any of its powers and functions conferred on it hereunder.
11. All resolutions of the Committee shall take effect as Board resolutions and be certified as Board resolutions by any one of the members of the Board or the Management Committee of HKEX, and/or the Company Secretary for sending to banks and counterparties, as appropriate.
12. The Committee shall be given sufficient resources to enable it to perform its functions, including the resources for seeking independent legal and professional advice.

## **Reporting Procedures**

13. The Committee should report to the Board on a regular basis. At the next Board meeting following a Committee's meeting, the Committee's Chairman or his/her designate shall report to the Board in summary on the work, significant decisions, findings and recommendations of the Committee since the last Board meeting, or in other form(s) as the Board members may require.

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The Committee shall have the following duties:

1. Review and approve changes to the trading rules of The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited and the clearing rules and procedures of Hong Kong Securities Clearing Company Limited, HKFE Clearing Corporation Limited and The SEHK Options Clearing House Limited;
2. Review and approve:
  - (i) the appointment of any person to the board or board committee of any wholly owned Group subsidiary and the Company's nominee to OTC Clearing Hong Kong Limited's Board; and
  - (ii) the appointment of any director of the Company to any government or regulatory body or any advisory or consultative panel as the Company's nominee;
3. Receive updates on changes to the organisational structure of the Group and to the composition of the Management Committee;
4. Review and approve proposals to change the corporate structure (including changes to the share capital) of any wholly-owned subsidiary of the Group;
5. Review and approve proposals to establish any direct or indirect wholly-owned subsidiary of HKEX with an initial capital exceeding HK\$100 million (or HK\$ equivalent), but not exceeding HK\$200 million (or HK\$ equivalent), or any branch or representative office of the Group;
6. Review updates on the market reception of new products, services and business lines including reports on trading volume, turnover, break-even timeframe and target performance;
7. Approve and receive updates on market consultations that are related to the Group's strategic initiatives;
8. Receive notifications and updates on any delisting, suspension or termination of the trading or clearing of products and review and approve suspension or termination of existing business lines;

9. Review and approve:
- (i) Reclassification of opex line on the Group income statement of more than HK\$100 million for HKEX <sup>1</sup> or US\$12.8 million for LME <sup>2</sup> or 20% or more of the budgeted opex line, whichever is lower, but in any case not exceeding HK\$200 million for HKEX or US\$25.6 million for LME (subject to the approval authorities under the Group Expenditure Authorisation and Control Policy (“EAP”)) ;
  - (ii) Reallocation of itemised budgets within the same project of more than HK\$100 million for HKEX or US\$12.8 million for LME or 20% or more of the total project budget, whichever is lower, but in any case not exceeding HK\$200 million for HKEX or US\$25.6 million for LME (subject to the approval authorities under the EAP); and
  - (iii) the initiation or implementation of projects with an approved budget of more than HK\$100 million for HKEX or US\$12.8 million for LME, but not exceeding HK\$200 million for HKEX or US\$25.6 million for LME;
10. Receive updates on Group expenditures under the annual budget, and approve (i) budgeted expenditures of more than HK\$100 million for HKEX or US\$12.8 million for LME, or (ii) unbudgeted expenditures of more than HK\$50 million for HKEX or US\$6.4 million for LME cumulatively per budget year, or (iii) excess expenditures of 20% or more of the specific expenditure originally approved by the Board or the Committee, but in any case not exceeding HK\$200 million for HKEX or US\$25.6 million for LME;
11. Approve expenditures in excess of Management Committee’s approval authority under the EAP not specifically covered in (9) or (10) above, but not exceeding HK\$200 million for HKEX or US\$25.6 million for LME;
12. Review and approve loans by any Group Company to any non-wholly owned subsidiary of the Group not exceeding HK\$200 million or any early repayment or cancellation;
13. Review and approve new bank borrowings or facilities, guarantees or comfort letters granted to banks not exceeding HK\$200 million or any early repayment and cancellation;

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<sup>1</sup> References to “HKEX” in paragraphs 9 to 11 mean the HKEX group other than LME.

<sup>2</sup> References to “LME” in paragraphs 9 to 11 mean LME Holdings Limited, The London Metal Exchange and LME Clear Limited.

14. Approve authorised bank signatories, bank mandates and payment processes to banks and related changes;
15. Review and approve proposals to write off or dispose of IT equipment with residual value in excess of the approved authorities under the EAP;
16. Approve any changes to HKEX's provident fund scheme, including but not limited to, change in the plan trustee, plan administrator and investment choice(s);
17. Approve any changes to Group policies not involving additional delegation of Board authority;
18. Approve affixing of the Company's common seal to instruments of the Company and authorise any member of the Board and the Company Secretary or any two members of the Board to sign the relevant instrument(s); and
19. Advise the Board on matters relating to and oversee compliance with the Group's Articles of Association.