

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

**TERMS OF REFERENCE AND MODUS OPERANDI OF**  
**ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE (“Committee”)**

**Membership**

1. The Committee shall consist of five members appointed by the Company’s board of directors (“Board”), comprising the following persons:
  - (a) the Board Chairman;
  - (b) the Company’s Chief Executive; and
  - (c) three other Board members.
2. The Board Chairman shall act as the Committee’s Chairman.
3. The Company Secretary or his nominee shall act as the Committee’s Secretary.

**Frequency and proceedings of meetings**

4. The Committee shall meet at least once every year. Additional meetings shall be held as the work of the Committee demands.
5. The quorum of a meeting shall be three Committee members.
6. Proceedings of the Committee’s meetings shall be governed by the provisions of Article 105 of the Company’s Articles of Association.

**Duties, powers and functions**

7. The Committee shall –
  - (i) develop and review the Company’s corporate governance (“CG”) and corporate social responsibility (“CSR”) vision, strategy, framework, principles and policies, and make relevant recommendations to the Board, and implement the CG and CSR policies laid down by the Board;
  - (ii) review and monitor the Company’s CG and CSR policies and practices to ensure compliance with legal and regulatory requirements;
  - (iii) pursue initiatives to promote the Company’s CG and CSR, and set corporate objectives, targets, key performance indicators and measures to ascertain performance against prioritised CG and CSR areas as appropriate;
  - (iv) develop, review and monitor the code of conduct and compliance manual in relation to CG and CSR matters (if any) applicable to the Company’s directors (“Directors”) and employees;

- (v) review the Company's compliance with the Corporate Governance Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other related rules ("Code");
  - (vi) prepare the annual CG Report and CSR Report for the Board's consideration and approval for disclosure;
  - (vii) develop the procedures for a Board (including its committees and individual members) performance evaluation and conduct a Board performance evaluation regularly, and provide the evaluation report to the Board for its consideration and approval;
  - (viii) develop, review and monitor the implementation of the Shareholders Communication Policy to ensure its effectiveness, and make recommendations to the Board where appropriate to enhance shareholder relationship with the Company;
  - (ix) review and monitor the training and continuous professional development of the Directors and senior management. Training means participating as speakers, members, or attendees, in conferences, seminars, tutorials, meetings, and workshops on any topics which are relevant to the development of the financial markets, including but without limitation, companies laws, relevant rules and regulations, accounting standards, environmental, social and governance issues, risk management, and information technology. For those Directors or senior management who are members of professional bodies, the training they received for fulfilling membership requirements would count towards the training as prescribed by the Code. The Committee may provide guidelines to the Directors/senior management in respect of training;
  - (x) monitor and respond to emerging CG and CSR issues and make recommendations to the Board where appropriate to further the Company's CG and CSR performance;
  - (xi) support local and overseas external CG- and CSR-related initiatives where appropriate to help promote CG and CSR;
  - (xii) do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
  - (xiii) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation or the Securities and Futures Commission.
8. The Committee shall be provided with sufficient resources, including the resources for seeking independent legal and other professional advisors, as well as consultants with CG and CSR expertise, to perform its duties.

### **Reporting Procedures**

9. The Committee shall report to the Board on a regular basis. At the next Board meeting following a Committee's meeting, the Committee's Chairman shall report the Committee's findings and recommendations to the Board. Moreover, the Committee shall present a report to the Board which addresses the work performed by the Committee during the year, and such report will form part of the CG Report.

– End –

July 2014