

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

TERMS OF REFERENCE AND MODUS OPERANDI
OF
RISK COMMITTEE
(the “Committee”)

Membership

1. The Committee shall consist of five Independent Non-Executive Directors (“INEDs”) appointed by the Company’s board of directors (the “Board”) from time to time.
2. The Committee’s membership normally includes a member (preferably the chairman) of the Audit Committee of the Company.
3. The Committee’s membership normally includes members (in terms of INEDs of the Company) of the statutory Risk Management Committee¹.
4. The Board Chairman (who is also the chairman of the statutory Risk Management Committee) shall normally be chairman of the Committee.
5. The Group Risk Officer or his/her equivalent shall act as the Committee’s Secretary.
6. The Chief Executive, Group Chief Financial Officer, Chief Regulatory Officer and Head of Internal Audit of the Company may be in attendance at the Committee’s meetings.

Frequency and proceedings of meetings

7. The Committee shall meet at least four times every year. Additional meetings may be held as the work of the Committee demands.
8. The Committee’s Chairman may convene additional meetings at his/her discretion.
9. The quorum of a meeting shall be three members of the Committee.
10. Proceedings of meetings of the Committee shall be governed by Article 105 of the Company’s Articles of Association.
11. The Committee may, from time to time, invite advisors to the meeting, including but not limited to Board members and/or senior management of all employing entity subsidiaries, external advisors or consultants to advise its members.

¹ Risk Management Committee is a statutory committee established under section 65 of the Securities and Futures Ordinance.

Purpose of the Committee

12. The purpose of the committee is to oversee the Company's and the subsidiaries' (collectively, "the Group") overall risk management framework with a focus on the second line of defence² and to advise the Board on the Group's risk-related matters.

Duties, powers and functions

13. The Committee shall:
- (a) advise the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues including corporate actions and proposed strategic transactions such as mergers, acquisitions and disposals;
 - (b) oversee risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic risks faced by the Group and amend and supplement this from time to time;
 - (c) approve the Group's risk policies and risk tolerances;
 - (d) consider emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively;
 - (e) review risk reports and breaches of risk tolerances and policies;
 - (f) review and assess the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans;
 - (g) review the Group's capital adequacy and solvency levels; and
 - (h) monitor stress testing results of the Group's key risk exposures.

Reporting Procedure

14. The Committee should report to the Board on a regular basis.

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² The role of the second line of defence is to provide oversight of business activities of the first line of defence in the Group (i.e. business units).