

HONG KONG EXCHANGES AND CLEARING LIMITED
TERMS OF REFERENCE AND MODUS OPERANDI
OF
THE LISTING OPERATION GOVERNANCE COMMITTEE

1. Status

The Listing Operation Governance Committee (the “**Committee**”) is a sub-committee of the board (the “**Board**”) of Hong Kong Exchanges and Clearing Limited (“**HKEX**” or the “**Company**”) to which the Board has delegated consideration of the matters set out in paragraph 4 below.

2. Purpose

The Committee is to assist the Board in overseeing the operation and management of the Group’s¹ Listing Division (the “**Listing Division**”), with the view to ensuring that it can perform the listing functions of The Stock Exchange of Hong Kong Limited (“**SEHK**”) independently, prudently and competently, in the proper discharge of SEHK’s statutory duties as the front-line regulator of listed issuers.²

3. Administrative Structure

(a) Composition

The Committee shall consist of at least five members comprising:

- (i) at least three non-executive directors appointed by the Board after considering the recommendations of the Nomination and Governance Committee; and
- (ii) the Chairman of SEHK’s Main Board Listing Committee and at least one Deputy Chairman of either the Main Board or the GEM Listing Committee.

Only members of the Committee have the right to attend meetings; however, the chairman of the Committee may invite other members of the Board, the Chief Executive of HKEX, the Chief Executive of SEHK, and the executives of the Listing Division or the Group to attend Committee meetings as appropriate. External advisers may also be invited to attend Committee meetings.

(b) Chairman

The chairman of the Committee shall be appointed by the Board, subject to endorsement of the chairman of the Board. In the absence of the chairman and/or an appointed deputy at any meeting, the Committee will elect one of the members present to act as chairman. The chairman of the Committee should attend the annual general meeting to answer shareholder questions on the Committee’s activities.

(c) Reporting Procedures and Frequency of Meetings

- (i) Minutes will be taken for all meetings and kept by the secretary of the Committee and, when the Committee chairman deems appropriate, tabled at

1 References to the “Group” or “Group” in these Terms of References means the HKEX group of companies.

2 SEHK is a wholly-owned subsidiary of the Company. As set out in the SEHK Listing Rules, the SEHK board of directors has delegated its powers to the Listing Division, the Main Board and GEM Listing Committees, and the Listing Review Committees to carry out SEHK’s listing functions.

meetings of the Board. Draft versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting, with final versions of minutes affirmed at the next meeting.

- (ii) The Committee shall meet at least four times every year. Additional meetings shall be held at the request of the chairman. Meetings shall be summoned by the secretary of the Committee.
- (iii) The Head of Listing or his/her nominee shall be the secretary of the Committee.
- (iv) The Committee chairman shall report regularly and formally to the Board at the next meeting of the Board following a meeting of the Committee, on matters within its remit.

(d) **Quorum**

Three members shall constitute a quorum, of which at least two shall be non-executive directors appointed by the Board. Decisions shall be determined by simple majority and, in the event of a tie, the chairman of the Committee shall have the casting vote. Proceedings of meetings of the Committee shall be governed by the provisions of Article 105 of the Articles of Association of the Company.

4. Areas of Responsibility

4.1 The Committee exercises its overall supervision and oversight of the operation and management of the Listing Division through receiving and discussing any issues arising from monthly reports provided by the Listing Division³ on different areas of its regulatory and operation activities, including human resources, training, analysis on regulatory activities, updates on policy-related projects, and new appointments to, or changes to the composition of the Main Board and GEM Listing Committees and other Listing Division advisory panels. Please refer to **Appendix 1** for details of content covered in the report.

4.2 The Committee's specific responsibilities shall include the following:

Regulatory operation matters

- (a) review the annual work plan of the Listing Division and its areas of focus;
- (b) receive updates on regulatory engagements with the Securities and Futures Commission (the "**SFC**") and other law enforcement agencies, including details on audits, any audit findings and recommendations and, the Listing Division's response; and provide guidance on areas of improvement;

Business operation matters

- (c) review and provide comments on the Listing Division's annual operating plans and budget, key human resourcing and system support needs and other operational requirements;
- (d) endorse structural changes to the Listing Division, and provide inputs on the appointment and removal of the Head of Listing and Listing Division department heads;
- (e) review staff training programme of the Listing Division annually and provide guidance on areas of enhancement as appropriate;

³ The Committee may from time to time, suggest modifications to the contents of the monthly reports to enable effective supervision and oversight of the Listing Division.

Listing Division staff conduct matters

- (f) receive reports on Listing Division staff conduct issues or incidents (including reports and updates on breaches or suspected breaches of Group compliance policies, Listing Division-specific compliance policies, cases raised by the SFC and any other relevant regulators or law enforcement agencies, and any disciplinary matters pertaining to Listing Division personnel);
- (g) consider and endorse proposed treatment plans or remedial steps, and advise the Board on actions to be taken as appropriate;

Listing Division-specific risk and policy matters

- (h) review top and emerging risks of significance for or in relation to the Listing Division, and receive updates on new and material changes to Listing Division-specific compliance and risk policies (including appraisal policy, Information Barrier Procedure and Operational Guidelines applicable to the Listing Division, operating manuals or policies concerning the discharge of SEHK's listing functions, conflicts of interest procedures and complaint handling policies);⁴
- (i) receive updates from the Listing Operational Risk and Control Department ("LORC") on monitoring and testing work plans, key risk matters and the state of compliance with Listing Division-specific policies;
- (j) meet with the Head of LORC on a regular basis without Listing Division management being present as necessary, and at the Committee's request, discuss the LORC's remit and any issues arising from work undertaken or feedback from regulators;

Listing policy matters

- (k) receive and review updates from the Listing Division on major listing policy changes, initiatives or reforms⁵ proposed by the Listing Division,
- (l) provide guidance and comments to the Listing Division considering HKEX's and SEHK's obligations to act in the interest of the public, and advise the Board on such matters as the Committee considers appropriate;

Performance evaluation

- (m) provide feedback for the annual 360 performance evaluation of the Head of Listing and, where necessary, provide input to the Head of Listing to facilitate the performance evaluation of Listing Division department heads, liaising as necessary with the Chief Executive of the Company, the Remuneration Committee and relevant other parties within HKEX;
- (n) advise the Board and/or the Remuneration Committee on the alignment of remuneration with the performance of the Listing Division.

4 There are established communication, consultation and escalation channels from the Head of Listing Operational Risk and Control to the Group Risk Officer and the Group Compliance Officer on internal control, risk and compliance matters. Listing-specific compliance and risk policies that form part of Group policies will undergo prescribed policy approval protocols at the relevant Board committees led by the relevant policy owners.

5 In this paragraph, "major listing policy changes, initiatives or reforms" means proposals which in the opinion of the chairman of the Committee, in consultation with the Head of Listing, may have material impact on the market or on the Group's or SEHK's business, liability or reputation.

Other responsibilities

- (o) do any such things as are necessary to enable the Committee to discharge its responsibilities.

4.3 In carrying out its responsibilities, the Committee shall work and liaise as necessary with all other Board committees, and give due consideration to all relevant laws, rules, regulations and regulatory requirements and guidance applicable to the Group.

5. Authority and Powers

(a) The Committee may:

- (i) delegate certain of its responsibilities to sub-committees comprising one or more of its members with such powers as are necessary to discharge the relevant responsibilities;
- (ii) delegate specific tasks to be performed by the Head of Listing or Head of LORC or committees of the management subject to such terms of delegated mandate, governance structure and reporting or approval requirements as the Committee considers appropriate;
- (iii) delegate to the chairman of the Committee authority to make decisions on matters which may need attention between Committee meetings, with such decisions to be reported or ratified in the next meeting of the Committee;
- (v) require reports, analyses and third-party independent reviews to be prepared to enable it to discharge its duties; and
- (vi) review or consider matters outside these terms of reference if required to do so by the Board.

(b) The Committee is authorised to:

- (i) have access to such training and resources (including employees) in order to carry out its duties as it may consider appropriate;
- (ii) obtain, at the Company's expense, any advice or support from external advisers or experts including legal advisers; and
- (iii) subject to any regulatory restrictions or requirements, have access to any information, record or report from any Listing Division or Group employee in order to perform its duties, and may request any Listing Division or Group employee to attend Committee meetings and answer questions as and when required.

6. Review

The Committee shall review and evaluate the performance of the Committee and these terms of reference on an annual basis to ensure that they are operating at maximum effectiveness, and recommend any changes that the Committee considers appropriate for the Board's approval.

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Appendix 1 - Regular Reporting

To ensure that the Committee is adequately informed of the manner in which the Listing Division manages regulatory and business operation matters, the monthly report referred to in paragraph 4.1 of these Terms of Reference normally contains the following information:

Business Operations	
•	Headcount
•	Internal Training provided during the month
•	Internal Training plan
Regulatory Operations	
•	Description and statistics on Listing Committee, Listing Appeals Committee and Listing Review Committee meetings held during the month
•	Analysis and statistics on Activities
	• IPO Vetting
	• Listed Issuers Regulation
	• Structured Products & Fixed Income
	• Enforcement
•	Report on waivers ⁶
•	Report on complaints handling ⁷
•	Report on Stakeholder Relations
	• Guidance to issuers and market participant
	• Presentations, Press and Training during the month
Major Projects in Progress ⁸	
Compliance Enhancement Plan	

6 This section includes quantitative analysis on the waivers granted by the Listing Division and description on notable cases.

7 This section includes quantitative analysis on complaints handled by the Listing Division and description on notable cases.

8 This section includes updates and progress on policy related consultations and projects taken up by the Listing Division.