

# MTR Corporation Limited

## Board Committee/Advisory Panel – Common Terms of Reference

*Note: Specific Terms of Reference are set out in the Appendix(ces) of respective Board Committees and Advisory Panel.*

### 1. Constitution

- 1.1 Each committee of the Board (the “Board Committee”) and advisory panel (the “Advisory Panel”) has been established by the Board of MTR Corporation Limited (the “Company”).

### 2. Membership

- 2.1 The members of each Board Committee and Advisory Panel shall be appointed by the Board and, unless otherwise specified, the majority of members shall be independent non-executive directors, in accordance with the respective Appendix(ces) at **para 2.1**.
- 2.2 The Chairman of each Board Committee and Advisory Panel shall be appointed by the Board in accordance with the respective Appendix(ces) at **para 2.2**.

### 3. Attendance at Meetings

- 3.1 The attendees (or their designated delegates/representatives) required at meetings of each Board Committee and Advisory Panel (if specified) shall be designated in accordance with the respective Appendix(ces) at **para 3.1**.
- 3.2 The Secretary of each Board Committee and Advisory Panel shall be designated in accordance with the respective Appendix(ces) at **para 3.2**.

### 4. Quorum

- 4.1 The quorum for the transaction of business of each Board Committee and Advisory Panel shall be determined in accordance with the respective Appendix(ces) at **para 4.1** (which shall include alternate member(s) that may be appointed pursuant to Clause 4.2 below). A duly convened meeting of a Board Committee and/or Advisory Panel at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the relevant Board Committee and/or Advisory Panel.

4.2 Subject to Clause 2.1 above, if a regular member is unable to act due to absence, illness or any other cause, the Chairman of the relevant Board Committee and/or Advisory Panel may appoint another non-executive director of the Company (i.e. other than those already a member of the Board Committee and/or Advisory Panel) to serve as an alternate member.

## **5. Decision Making**

5.1 All decisions of each Board Committee and Advisory Panel at a meeting shall be made by majority vote.

5.2 A resolution in writing signed by all members of a Board Committee and/or Advisory Panel or approval obtained from all members of a Board Committee and/or Advisory Panel by electronic means shall be as valid and effective as if the resolution had been passed at a meeting of a Board Committee and/or Advisory Panel duly convened and held.

## **6. Frequency of Meetings**

6.1 Meetings shall be held as frequently as each Board Committee and Advisory Panel considers appropriate, provided that it shall not be less than the number specified in the respective Appendix(ces) at **para 6.1**. Meetings can either be in person or through electronic means of communication.

## **7. Notice of Meetings**

7.1 Meetings shall be summoned by the Secretary of each Board Committee and Advisory Panel at the request of the Chairman of the relevant Board Committee and/or Advisory Panel with reasonable notice given. In addition, where specified, meetings may also be requested in accordance with the respective Appendix(ces) at **para 7.1**.

7.2 An agenda and accompanying papers shall be circulated to all members (including alternate member(s) that may be appointed pursuant to Clause 4.2 above) in a timely manner and at least 3 working days before the intended date of the meeting insofar as it is practicable. Such papers and related materials shall be in a form and quality as will enable the relevant Board Committee and/or Advisory Panel to make an informed decision on the matters placed before it.

## 8. **Authority**

- 8.1 Each Board Committee and Advisory Panel should first seek the approval of the Chairman of the Company before obtaining outside independent professional advice, unless the circumstances are such that it would be inappropriate for them to seek such approval.
- 8.2 Members of each Board Committee and Advisory Panel will be entitled to request from the Company, any member of the Executive Directorate and any employee and/or adviser of the Company all such information as they may reasonably require in order to be able to perform their duties as a member of the relevant Board Committee and/or Advisory Panel and, upon receipt of a request for such information, the Company, members of the Executive Directorate, employees and advisers of the Company will use their reasonable endeavours to ensure that such information is provided to them promptly.
- 8.3 Each Board Committee and Advisory Panel will not be responsible for supervising the performance of any member of the Executive Directorate of the Company (nor mandated to do so) and will not be required to become involved in the day-to-day operations, management functions or decision-making of the Company.

## 9. **Duties**

- 9.1 Each Board Committee and Advisory Panel will take full account of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").
- 9.2 The duties of each Board Committee and Advisory Panel shall be specified in relevant Appendix(ces) at **para 9.2** and to conduct periodic critical reviews on selected key areas which are within the authority and duties of the relevant Board Committee and/or Advisory Panel, as the relevant Board Committee and/or Advisory Panel deems appropriate.
- 9.3 The Chairman of each Board Committee and Advisory Panel should attend the annual general meeting of the Company to answer any shareholder's questions relating to the work of the relevant Board Committee or Advisory Panel. In the absence of the Chairman of the Board Committee / Advisory Panel, his/her duly appointed delegate or failing this another member of the Board Committee / Advisory Panel should attend in his/her place.

## 10. Reporting Procedures

- 10.1 The Secretary of the relevant Board Committee and/or Advisory Panel (or his/her designate) shall cause minutes to be made of all resolutions and proceedings of the relevant Board Committee and/or Advisory Panel including the names of all those present and in attendance at the meetings. Minutes of the meetings shall record in sufficient detail the matters considered by the members and decisions reached, including any concerns raised by the members and dissenting views expressed. Such minutes shall also be made available, if requested, to other members of the Board.
- 10.2 Draft and final versions of minutes of meetings shall be circulated by the Secretary of the relevant Board Committee and/or Advisory Panel to all members of the relevant Board Committee and/or Advisory Panel (including alternate member(s) that may be appointed pursuant to Clause 4.2) for their comments and record respectively, in both cases within a reasonable time after the meetings are held. Such minutes shall also be made available, if requested, to other members of the Board.
- 10.3 A summary of the work performed by the Board Committee / Advisory Panel (if applicable) during the year will be prepared and form part of, or be annexed to, the Company's annual report and accounts, which will be approved by the Board. The summary will contain such information as is required to comply with the Listing Rules, all applicable laws and the Board Committee's / Advisory Panel's view of good practice at the relevant time.
- 10.4 Except where this would violate legal or regulatory requirements, each Board Committee and Advisory Panel shall report back to the Board on its deliberations.

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## MTR Corporation Limited

### Audit & Risk Committee – Terms of Reference

*Note: Please refer to the corresponding paragraphs in the Common Terms of Reference while referencing this Appendix.*

#### 1. **Constitution**

##### 1.1 **Name:**

- Audit & Risk Committee

#### 2. **Membership**

##### 2.1 **Membership requirements:**

- Non-executive directors only
- At least 4 non-executive directors
- At least one of the Board Committee members shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
- A former partner, principal, shareholder or professional employee of the Company's existing external auditor is prohibited from acting as a Board Committee member for a period of 2 years following their cessation of such role, as calculated under the Listing Rules and applicable auditor independence rules.

##### 2.2 **Chairman:**

- An independent non-executive director

#### 3. **Attendance at Meetings**

##### 3.1 **Attendees required at meetings:**

- i. Subject to ii below :
  - Finance Director (or his/her delegate)
  - Head of Internal Audit (or his/her delegate)
  - Legal & Governance Director (or his/her delegate)
  - Representative(s) of the external auditor of the Company
  - Others persons as the Chairman of the Board Committee deems appropriate

- ii. At least once a year the Board Committee shall meet with the external auditor in the absence of any member of management or employee of the Company (save for the Secretary of the Board Committee and persons at the discretion of the Chairman of the Board Committee).
- iii. The external auditor and the Finance Director may have access to the Chairman or any other member of the Board Committee as required in relation to any matter falling within the remit of the Board Committee.

3.2 Secretary:

- Company Secretary (or his/her designate)

4. **Quorum**

4.1 Quorum:

- 3 members
- At least 2 members shall be independent non-executive directors

6. **Frequency of Meetings**

6.1 Specified Number:

- At least once every quarter

7. **Notice of Meetings**

7.1 Request of meetings:

- The Chairman of the Board Committee at his/her own discretion or any 2 members of the Board Committee jointly or the Company's external auditor or the Finance Director may request a meeting of the Board Committee if he/she/they consider(s) that one is necessary.

9. **Duties**

9.2 Duties:

- i. To investigate any activity within its terms of reference.

**Relationship with the Company's External Auditor**

- ii. To be primarily responsible for:
  - a. making recommendations to the Board on the appointment, reappointment and removal of the external auditor;
  - b. approving the remuneration and terms of engagement of the external auditor; and
  - c. any questions of resignation or dismissal of the external auditor;

- iii. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Board Committee must pre-approve, and adopt appropriate procedures to pre-approve, all audit services to be provided by the external auditor and discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences. The Board Committee should keep under review the cost-effectiveness of the audit. The Board Committee should ensure that proper arrangements are made where more than one audit firm is involved;
- iv. to develop and implement policy on the engagement of an external auditor to supply non-audit services. The Board Committee must review and pre-approve, or adopt appropriate procedures to pre-approve, any non-audit services for complying with relevant Listing Rules requirements and seek to balance the maintenance of objectivity with value for money (where a substantial volume of such services is supplied). For this purpose, "external auditor" shall include any entity that is under common control, ownership or management with the external auditor or any entity that a reasonable and informed third party, having knowledge of all relevant information, would reasonably conclude as part of the external auditor nationally or internationally. The Board Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- v. to obtain from the external auditor in connection with any audit a timely report relating to the Company's annual audited financial statements describing all critical accounting policies and practices used, all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor, and any material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences;
- vi. to discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner and consider whether there should be a regular rotation of the external auditor itself;
- vii. to act as the key representative body for overseeing the Company's relations with the external auditor;

**Review of Financial Information of the Company**

- viii. to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, together with any accompanying discussion papers to shareholders, the preliminary announcement of results and any other announcement regarding the Company's results or other financial information to be made public (together, the "Financial Documents"), and to review significant financial reporting judgments contained in the Financial Documents. In this regard, in reviewing the Financial Documents before submission to the Board, the Board Committee should focus particularly on:
  - a. any changes in accounting policies and practices;
  - b. major judgmental areas;
  - c. significant adjustments resulting from audit;
  - d. the going concern assumptions and any qualifications;
  - e. compliance with accounting standards; and
  - f. compliance with the Listing Rules and legal requirements in relation to financial reporting;
- ix. with regard to (viii) above:
  - a. the Board Committee members must liaise with the Board and management, and the Board Committee must meet, at least twice a year, with the Company's internal and external auditors;
  - b. the Company's staff responsible for the accounting and financial reporting function shall update the Board Committee on the Company's financial performance from time to time and highlight to the Board Committee any events that may have a significant impact on the financial status of the Company; and
  - c. the Board Committee should consider any significant or unusual items that are, or may need to be, reflected in the Financial Documents and must give due consideration to any other matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer, internal auditor or external auditor;
- x. to discuss problems and reservations arising from the audit, and any matters the auditor(s) may wish to discuss (with or without the presence of any member of management of the Company and any other person who is not a member of the Board Committee);



**Oversight of the Company's Financial Reporting System and Internal Control Procedures**

- xi. to review, at least annually, the effectiveness of the Company's financial controls and internal control systems (including controls over significant trading and credit risks (such as derivatives) and whether they are appropriate for the purposes of overseeing the Company's operations and delivering the Company's corporate strategy) and to report to the Board that such a review has been carried out;
- xii. to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including, in particular, an annual review of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- xiii. to receive, at such intervals as the Board Committee may determine, general details of audits carried out by the internal audit function and, where requested by the Board Committee, consider in detail the report, including the recommendations of any such particular audit;
- xiv. to consider any findings of major investigations of internal control matters as delegated by the Board or on the Board Committee's own initiative and management's response;
- xv. to review and approve the internal auditors' annual internal audit plan which includes audits on the efficiency and effectiveness of chosen activities or operations of the Company;
- xvi. to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- xvii. to review:
  - a. periodic reports from the internal auditors outlining the work carried out in that period and highlighting any major issues encountered to the Board; and
  - b. the follow-up of major action plans recommended by the internal auditors to ensure that, where a control weakness exists, agreed management action is being taken in a timely fashion, and put forward recommendations to the Board where appropriate;
- xviii. to review the financial and accounting policies and practices of the Company and its subsidiaries;

- xix. to review any significant transactions which are not in the ordinary course of business;
- xx. to review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- xxi. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- xxii. to review the whistleblowing arrangements that can be used, in confidence, by the employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns about possible improprieties in financial reporting, internal controls or other matters. The Board Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

**Review of the Company's Risk Management Framework**

- xxiii. to review the Company's enterprise risk management framework and the guidelines, policies and procedures for risk assessment and risk management;
- xxiv. to receive reports on the Company's enterprise risks and key emerging risks. For the avoidance of doubt, the Board Committee shall not be responsible for overseeing the identification, assessment and/or management of individual risks, but for oversight of the relevant policies and procedures;
- xxv. to review the effectiveness of the enterprise risk management function, including staffing levels and qualifications;
- xxvi. to review the Company's "Three Lines of Defence" assurance framework;
- xxvii. to review the Company's crisis management arrangements; and
- xxviii. to report to the Board on the matters set out in this paragraph.

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