

# RISK COMMITTEE REPORT

As at the date of this Report, the Risk Committee of the Company (referred to as the “Committee” in this report) consists of seven non-executive Directors, five of whom are Independent Non-executive Directors of the Company (“INEDs”). Details of the Committee’s members and their attendance records during 2017 are set out on pages 117 to 118 of this Annual Report.

## DUTIES OF THE COMMITTEE

The Committee’s Terms of Reference are available on the respective websites of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and The Stock Exchange of Hong Kong Limited.

The principal duties of the Committee include reviewing the Company’s Enterprise Risk Management (“ERM”) framework, guidelines, policy and procedures for risk assessment and risk management; reviewing the Company’s top risks and key emerging risks and the controls in place to mitigate such risks; monitoring the Company’s risk profile; conducting “deep dive” reviews on selected key risk areas; reviewing the effectiveness of the ERM function; and reviewing the Company’s crisis management arrangements.

The Committee assists the Board in overseeing the Company’s ERM system on an ongoing basis. The Committee reviews the effectiveness of the Company’s ERM system annually, and reports to the Board in relation to such review. More details of the features of the ERM system and processes, the significant areas of risk being managed, and the process used to review the effectiveness of the ERM system are set out in the “Risk Management” section on pages 138 to 141 of this Annual Report. Each year, the Committee agrees on a list of reviews and presentations in respect of selected key risk areas to be considered for that year, taking into account the ongoing activities of the Company at the material time; and invites relevant management to present on the subjects and conduct interactive discussions. The list of matters to be considered

is updated as required to include any topical subjects or risks that may emerge during the year. The Committee provides observations and, where applicable, recommendations to management, based on their reviews and discussions.

The secretary of the meetings draws up agendas for each meeting in consultation with the chairman of the Committee, making reference to the list of reviews and presentations determined by the Committee, as well as topical matters at the relevant time.

The chairman of the Committee summarises the activities of the Committee and highlights issues arising therefrom by a report to the Board after each Committee meeting.

The minutes of the Committee meetings are prepared by the secretary of the meetings with details of the matters considered by the Committee Members, including recommendations and any observations raised by the Committee Members. Draft minutes are circulated to the Committee Members before adoption. The Committee formally adopts the draft minutes at its next subsequent meeting, after taking into account any comments that the Committee Members may have on the draft minutes.

A total of four meetings have been scheduled to be held on a quarterly basis in 2018.

## WORK PERFORMED BY THE COMMITTEE IN 2017

In 2017, the Committee held four meetings. During the year, the Committee reviewed the Company’s ERM quarterly reports and the effectiveness of the Company’s ERM system for the year ended 31 December 2016. A review of the Company’s ERM annual report and ERM system effectiveness for the year ended 31 December 2017 was conducted by the Committee on 23 February 2018.

The Committee reviewed the Company's risk profile, top risks and key emerging risks at each of its meetings. At its first meeting, the Committee agreed on a list of "deep dive" reviews and presentations on selected key risk areas for the year, which reviews and presentations took place as planned. Relevant Members of the Executive Directorate and managers were invited to present on the "deep dive" reviews or presentations to the Committee, with comments and recommendations provided by the Committee for appropriate action by management.

The Legal and European Business Director, the General Manager – Governance & Risk Management and the Senior Manager – Enterprise Risk, representing the ERM function, attended all four meetings in 2017 to report and answer questions on ERM related matters.

The Committee considered the following key matters in 2017:

- MTR subsidiaries'/associates' cyber security (including railway operating systems)
- Management of terrorist attack risk
- Arson incident on 10 February 2017
- Escalator safety in railway operation and property
- Operation of Kwun Tong Line Extension and South Island Line (East) and management of crowding
- Light rail safety and management of crowding

- Governance arrangements for major projects
- Political landscape and challenges
- Meeting ageing population challenges for railway operation
- Strategic manpower planning
- Governance measures on property development projects in the Mainland of China
- New railway extensions
- Application of Building Information Modelling
- Major global rail accidents summary overviews

Alasdair George Morrison  
*Risk Committee Chairman*  
 Hong Kong, 8 March 2018

*The Risk Committee Report has been reviewed and endorsed by the Committee.*