

CORPORATE GOVERNANCE REPORT

Strong governance is critical for the Company in achieving its vision and fulfilling its purpose, and doing so in a way that delivers long term sustainable value for all of its stakeholders. This Report describes the corporate governance best practices that the Company has adopted and highlights how the Company has applied the principles of the code provisions in force at the material time as set out in Appendix 14 (Corporate Governance Code and Corporate Governance Report) to the Listing Rules.

With effect from 1 January 2022, the structure of Appendix 14 to the Listing Rules has been updated and renamed as the Corporate Governance Code. The provisions of the updated Corporate Governance Code are applicable to financial years commencing on or after 1 January 2022 and so will be fully complied with in the Company's 2022 Annual Report. However, as the Company already complies with many of the new requirements, the information included in this Report has been enhanced accordingly.

The Board has the overall responsibility for effective corporate governance and for ensuring that the Company's governance framework (which is described in this Report) enables it to oversee and address environmental and social issues that are material to the operations and businesses of the Company. The recently renamed Environmental & Social Responsibility Committee has strategic oversight of the Company's environmental and social strategy and is also responsible for tracking performance against the Company's environmental and social commitments and reporting to the Board on these issues. For details of its principal responsibilities and the work performed during the year, please refer to page 109 of this Report.

To keep its stakeholders abreast of the Company's initiatives and performance in the environmental and social arenas, a separate Sustainability Report is published on an annual basis. The Company has followed the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules and has made reference to various international reporting standards and guidelines when preparing the Sustainability Report. The Company's Sustainability Report covering the period from 1 January to 31 December 2021 is available together with this Annual Report on the

websites of both the Company (www.mtr.com.hk) and the Stock Exchange.

The Company also issues an annual Sustainable Finance Report, which is available on the Company's website (www.mtr.com.hk), and responds to CDP on climate-related risks, opportunities and disclosures.

CORPORATE STRATEGY

The Company's vision is to be an internationally-recognised company that connects and grows communities with caring, innovative and sustainable services. To safeguard the long-term prospects of the Company, a new Corporate Strategy, "Transforming the Future", which was adopted in mid-2020, establishes clear business priorities and social and environmental goals with a view to maintaining competitiveness and driving the sustainability of the Company's businesses, as well as creating healthy, long-term symbiotic relationships with the communities where the Company operates. With a clearly defined purpose of "keeping cities moving", the Corporate Strategy defines a more fit-for-future organisation with a strengthened Hong Kong core, steady growth in Mainland China and internationally and powerful new growth engines – three strategic pillars so that the Company can stay competitive in a fast-changing business environment.

The new Corporate Strategy is underpinned by a set of values, which help to provide all staff with a clear indication of what is expected from them, from both a performance and a competency perspective:

- Excellent service – To anticipate, listen and respond to customer needs and provide a safe, effective and caring service.
- Mutual respect – To work internally and externally in a collaborative environment based on trust, joint commitment and respect.
- Value creation – To create profit and community goodwill through growth, effective execution, continuous improvement and innovation.
- Enterprising spirit – To question the status quo, proactively seek improvement and take ownership to overcome obstacles.

Further guidance is provided to staff in the Company's Code of Conduct, which is updated regularly, and in the leadership competency framework which forms the basis of the Company's performance management system.

During the year ended 31 December 2021, the Board has regularly reviewed the progress made in the implementation of the new Corporate Strategy and the associated enablers, including a new management organisation designed to clarify accountability for the delivery of the Corporate Strategy and strengthen the Company's internal control and risk management framework.

The Company values all feedback received, whether through more formal channels or through interactive communication sessions carried out by Members of the Executive Directorate, who have hosted town hall forums, management communication meetings, and informal meetings with groups of managers and non-managerial colleagues for them to share their views about transforming the Company. The Company has also engaged an independent consulting firm to conduct pulse surveys on a quarterly basis to collect feedback from staff on an anonymous basis about their understandings, concerns and expectations of the transformation and has recently concluded a full staff engagement survey. All of these forums provide important opportunities for the Executive Directorate to steer the continued implementation of the new Corporate Strategy and ensure alignment between the Strategy and the Company's values and culture.

For more details about the Company's approach to human capital management, including how the corporate culture is nurtured, as well as how the Company approaches equal employment opportunities and diversity, please refer to the Sustainability Report.

CORPORATE GOVERNANCE PRACTICES

Corporate governance is the collective responsibility of the Members of the Board and the Board firmly believes that good corporate governance is fundamental in ensuring the proper management of the Company in the interests of all of its stakeholders. The Board actively seeks opportunities for continuous improvement in the area of corporate governance and takes prompt action in responding to identified improvement opportunities.

The Stock Exchange published its consultation conclusions on the consultation paper entitled "Review of the Corporate Governance Code and Related Listing Rules" in December 2021. The revised Listing Rules and new Corporate Governance Code have come into effect on 1 January 2022, and the requirements under the new Corporate Governance Code will apply to corporate governance reports for financial years commencing on or after 1 January 2022. The Company has complied with most of the new requirements and has already implemented certain new requirements including, but not limited to, reflecting the relevant new requirements in the updated terms of reference of the Board's Corporate Governance Functions and Nominations Committee and in the updated Nomination Policy and Board Diversity Policy.

Acting through the former Risk Committee and Audit Committee (now known as the Audit & Risk Committee), in 2019 the Company mandated a review of the Company's internal control and risk management systems. For more information on this review, please refer to page 139 of this Annual Report.

At the Board level and as mentioned in the 2020 Annual Report, the Company engaged an external consultant to conduct a Board evaluation exercise, which was kicked off in the third quarter of 2020. The purpose of this review was to evaluate the effectiveness of the Board in supporting the implementation of the new Corporate Strategy. For more information on the Board evaluation and the enhancements it has given rise to, please refer to page 107 of this Report.

CORPORATE GOVERNANCE CODE COMPLIANCE

During the year ended 31 December 2021, the Company has complied with the code provisions as set out in Corporate Governance Code in force in material time (the “CG Code”) in Appendix 14 (Corporate Governance Code and Corporate Governance Report) to the Listing Rules. In the following corporate governance areas, the Company’s practices have exceeded the relevant CG Code/Listing Rules requirements:

Corporate Governance Areas	Details of Exceedance
Number of Independent Non-executive Directors (“INED”)	The number of INEDs represents more than two-thirds of the Board, which exceeds the independence requirement under the Listing Rules
Number of INEDs in Audit & Risk Committee (formerly known as Audit Committee)	The Audit & Risk Committee consists of six INEDs, which exceeds the independence requirement under the Listing Rules
Number of Regular Board Meetings	The Company holds seven Regular Board Meetings each year, and Special Board Meetings are held as and when required, which exceeds the requirement under the CG Code
Notice of Regular Board Meetings	The dates of Regular Board Meetings for the following year are usually fixed in the third quarter of the preceding year
Model Code Confirmation	<ul style="list-style-type: none"> Confirmation of Compliance with the Model Code is obtained from each Director and Model Code Manager (as defined below) every half-year An electronic platform has been established to give one-stop access to the relevant key processes to support compliance with the Model Code
Evaluation of the Effectiveness of Risk Management System	<ul style="list-style-type: none"> The Company reviews not only the effectiveness of the risk management system of the Company and its subsidiaries, but also that of its key associates operating in Mainland China and overseas The Company has established a risk-based Three Lines of Defence framework to ensure appropriate focus is applied to relevant risks and provide recommendations to address identified gaps and inefficiencies

The Company continues to monitor developments in the arena of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the evolving business and regulatory environment and to meet the expectations of stakeholders.

THE BOARD OF DIRECTORS

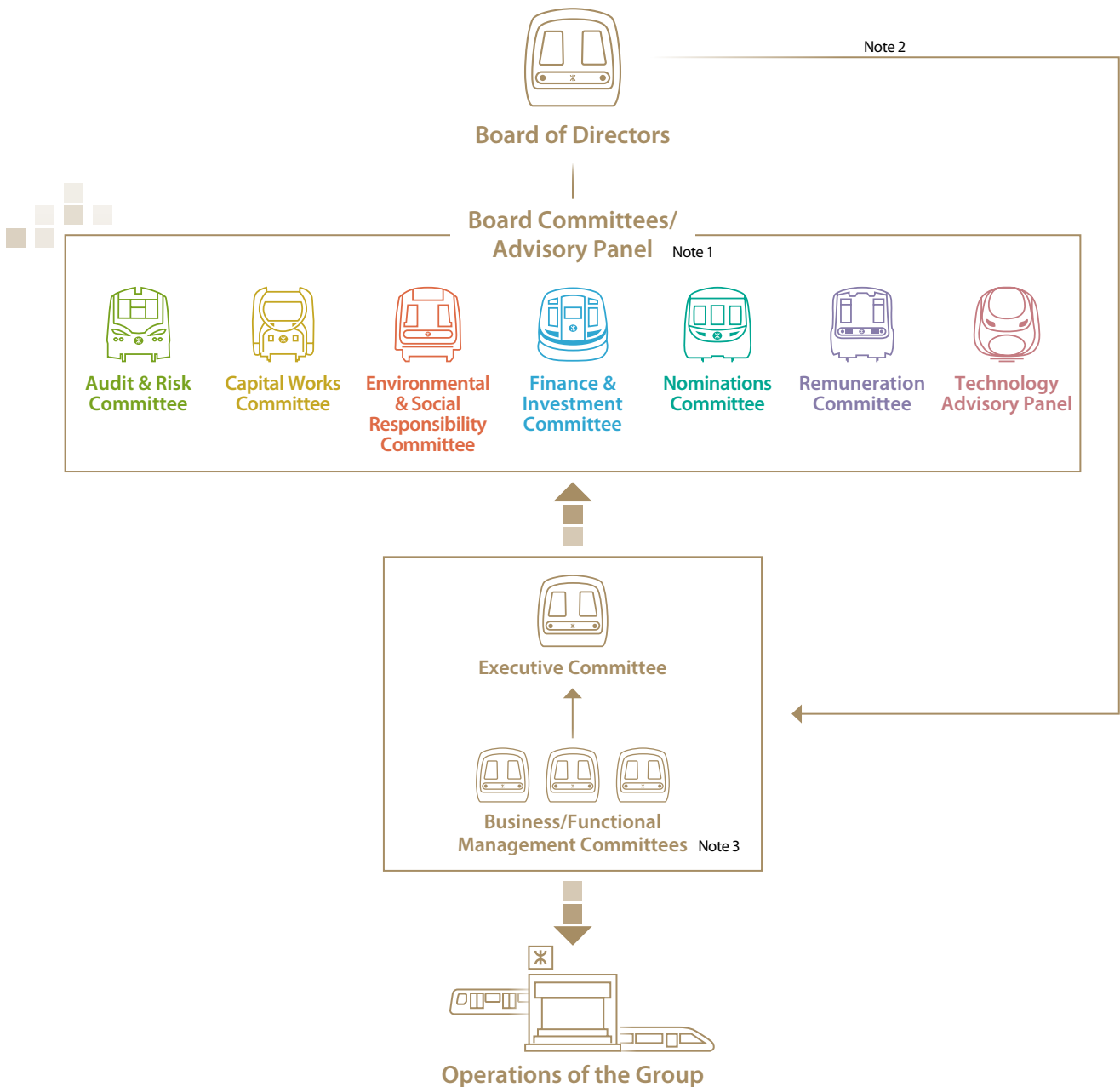
Overall Management

The overall management of the Company’s business is vested in the Board. Pursuant to the Articles of Association and the “Protocol: Matters Reserved for the Board” (the “Protocol”) adopted by the Board, the Board has delegated the day-to-day management of the Company’s business to the Executive Committee, and focuses its attention on matters affecting the Company’s overall strategic policies, corporate governance, finances and shareholders. These include financial statements, dividend policy, significant changes in accounting policy, annual operating budget, certain material contracts, strategies for future growth, major financing arrangements and major investments, corporate governance functions, risk management and internal control systems, treasury policies and fare structures. The Board reviews the delegation arrangement periodically.

Following the restructuring of the Board Committees and a review of the Protocol in late 2021 and January 2022, the Protocol was updated such that the Board reserves the right to delegate any decision-making powers reserved by it in accordance with the Protocol to any of the Board Committees in existence from time to time (whether or not such delegation is expressly referred to in the Protocol).

To enable the Board to maintain adequate oversight, the Board receives updates and briefings on matters that have a significant impact on the Company’s operations and businesses on a regular basis, supplemented by ad hoc reporting as and when required.

Below is a diagram of the governance structure of the Company:



Notes:

1. All Board Committees/Advisory Panel(s) are provided with sufficient resources to discharge their duties and can seek independent professional advice (as and when required) at the Company's expense, to perform their responsibilities. The terms of reference of each Board Committee/Advisory Panel are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange
2. The Executive Committee is delegated by the Board to handle the day-to-day management of the Company's business pursuant to the Articles of Association and the Protocol; and is chaired by the Chief Executive Officer ("CEO") and made up of nine other Members of the Executive Directorate.
3. Business/Functional Management Committees are set up to assist the Executive Committee in the management and control of the Company's various core businesses and functions.

Composition of the Board

A list of Members of the Board and the Executive Directorate and their roles and functions is available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange. Biographical details of each of the Members of the Board and the Executive Directorate are set out on pages 148 to 160 of this Annual Report.

As at the date of this Report, the Board has 20 Members, made up of 14 INEDs, five Non-executive Directors (“NEDs”) and one Executive Director. The number of INEDs currently comprises more than two-thirds of the Company’s Board, which is well above the Listing Rules requirement of having one-third of a board made up of INEDs. This structure ensures that the Board comprises a majority of independent members, which is conducive to maintaining an independent and objective decision-making process.

Government, through The Financial Secretary Incorporated, held approximately 74.82% of the issued shares of the Company as at 31 December 2021, and is a substantial shareholder of the Company. The Chief Executive of the HKSAR, in the exercise of her right under Section 8 of the MTR Ordinance, has appointed three persons as “additional directors” of the Company (the “Additional Directors”). They are:

- The office of the Secretary for Transport and Housing (currently held by Mr Frank Chan Fan);
- The office of the Permanent Secretary for Development (Works) (currently held by Mr Ricky Lau Chun-kit); and
- The office of the Commissioner for Transport (currently held by Miss Rosanna Law Shuk-pui).

The Additional Directors are all NEDs and are treated for all purposes (other than the requirement to retire by rotation according to the Articles of Association) in the same way as other Directors and are, therefore, subject to the usual common law duties of directors, including the requirement to act in the best interests of the Company.

Mr Christopher Hui Ching-yu, the Secretary for Financial Services and the Treasury, is another NED of the Company.

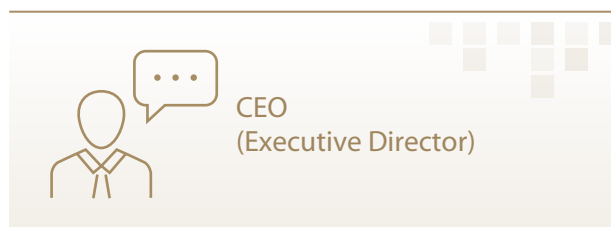
Coming from diverse business and professional backgrounds, Members of the Board actively bring their valuable experience to the Board for promoting the best interests of the Company and its shareholders. In addition, the INEDs also contribute to ensuring that the interests of all shareholders of the Company are taken into account by the Board and that relevant issues are subject to objective and dispassionate consideration by the Board.

Chairman and CEO

The posts of the Chairman and the CEO are distinct and separate. Their respective roles and responsibilities are set out below:



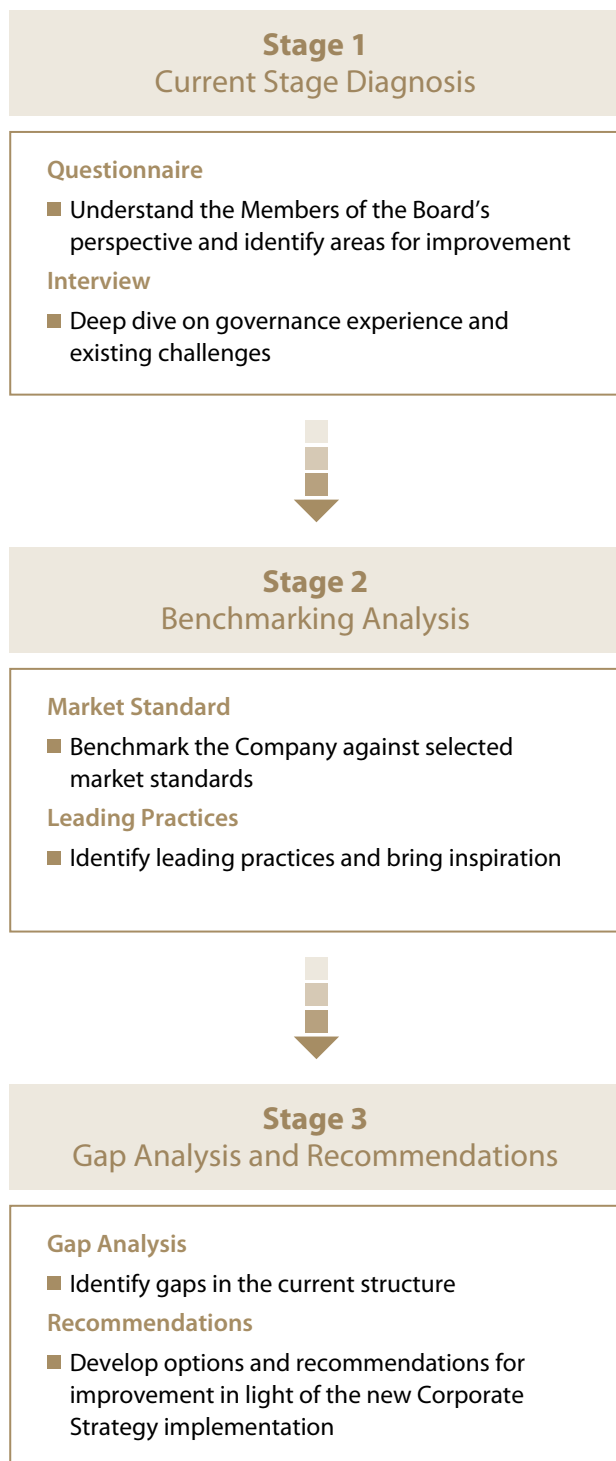
- Chairing and managing the operations of the Board;
- Monitoring the performance of the CEO and other Members of the Executive Directorate;
- Making sure that adequate information about the Company’s business is provided to the Board on a timely basis;
- Providing leadership for the Board and promoting a culture of openness;
- Ensuring views on all issues are exchanged by all Members of the Board in a timely manner;
- Encouraging Members of the Board to make a full and effective contribution to the discussion at Board Meetings; and
- Establishing good corporate governance practices and procedures.



- Head of the Executive Directorate;
- Chairman of the Executive Committee;
- Responsible to the Board for managing the business of the Company; and
- Responsible for performing a bridging function between the Board and the Executive Directorate.

Board Evaluation

During the year ended 31 December 2021, an external consultant engaged by the Company conducted a 3-stage Board evaluation exercise focusing on four areas: engagement, communication, structure and composition of the Board.



Implementation of the recommendations (which were mainly in the areas of financial delegations, Board Committees, succession planning and reporting to the Board on the implementation of the new Corporate Strategy) have been prioritised after mapping the recommendations with their potential impact and the effort required to implement. This led to a restructuring of the Company’s Board Committees and revamping of their terms of reference with a view to enhancing Board effectiveness and ensuring that the Board was fit for purpose for supporting the implementation of the new Corporate Strategy. The restructuring and other changes took effect from 1 February 2022.

Board Committees	
Before Restructuring	After Restructuring
■ Audit Committee	■ Audit & Risk Committee
■ Capital Works Committee	■ Capital Works Committee
■ Corporate Responsibility Committee	■ Environmental & Social Responsibility Committee
■ Nominations Committee	■ Nominations Committee
■ Remuneration Committee	■ Remuneration Committee
■ Risk Committee	■ Finance & Investment Committee (<i>New</i>)
	■ Technology Advisory Panel (<i>New</i>)

More details about the new Finance & Investment Committee and Technology Advisory Panel are provided on page 110 of this Report.

The Board will continue to monitor the progress of the implementation of the recommendations made pursuant to this exercise.

Board Committees/Advisory Panel(s)

The Board discharges some of its responsibilities through delegation, with appropriate oversight, to respective Board Committees and Advisory Panel(s). The Board Committee memberships and the attendance record of each Member of the Board in 2021 are set out on pages 119 to 121 of this Report.

The duties and work performed by the Audit Committee (now known as the Audit & Risk Committee), former Risk Committee, Capital Works Committee and Remuneration Committee during the year are set out in their respective reports in this Annual Report:

- “Audit Committee Report” on pages 132 to 134;
- “Risk Committee Report” on pages 140 to 141;
- “Capital Works Committee Report” on page 142; and
- “Remuneration Committee Report” on pages 143 to 147.

Nominations Committee

The Nominations Committee consists of seven NEDs, four of whom are INEDs. The Chairman of the Committee is an INED. Its terms of reference, as updated in February 2022, are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

Principal responsibilities:

- Reviewing the structure, size and composition (including the perspectives, skills, diversity, knowledge and experience) of the Board, the appropriateness and effectiveness of the Company’s Board Diversity Policy (the “BD Policy”) and Nomination Policy, as well as the adequacy and appropriateness of the list of skillsets of the Board, at least annually and making recommendations to the Board to complement the Company’s corporate strategy and for succession planning purposes;
- Identifying individuals suitably qualified to become Members of the Board and putting forward nominations or recommendations to the Board for proposed appointments to the Board;

- Assessing the independence of INEDs and, in case a proposed director will be holding his/her seventh (or more) listed company directorship, his/her ability to devote sufficient time to Board matters;
- Making recommendations to the Board on the appointment or re-appointment of Members of the Board and succession planning for Members of the Board; and
- Nominating and recommending to the Board candidates for filling the positions of CEO, Finance Director and Chief Operating Officer (provided that the Chief Operating Officer position exists).

During the year, the Committee conducted reviews and made corresponding recommendations to the Board in respect of the following matters:

- Desirable skillsets for the Board, taking account of the findings of the Board evaluation exercise;
- Annual review of the structure, size and composition of the Board and a list of skillsets for the Board;
- Annual assessment of the independence of each INED;
- Re-election/Election of Members of the Board retiring at the Company’s annual general meeting held on 26 May 2021 (“2021 AGM”); and
- Proposed nomination of new Members of the Board for election by shareholders at the 2021 AGM.

As at the date of this Report, the Nominations Committee has conducted, inter alia, (i) an annual review of the current structure, size and composition (including skills/experience/perspectives) of the Board and considered the same is appropriate in light of the Company’s strategy and business needs and the list of skillsets of the Board; and (ii) a review of proposed amendments to the Nomination Policy and BD Policy of the Company. The Nominations Committee has also assessed that the Board (1) currently possesses a balanced mix of skills, experience and diversity of perspectives, (2) is in line with the Company’s BD Policy, and (3) is appropriate for continuing to support the execution of the Company’s business strategies in an efficient and effective manner.

Environmental & Social Responsibility Committee

Following the Board Committees restructuring, with effect from 1 February 2022 the Corporate Responsibility Committee has been renamed as the Environmental & Social Responsibility Committee. Its terms of reference, as updated in February 2022, are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

As at the date of this Report, the Environmental & Social Responsibility Committee consists of seven members, made up of three INEDs, one NED and three Members of the Executive Directorate. The Environmental & Social Responsibility Committee is chaired by the Chairman of the Company.

After the Board Committees restructuring, the principal responsibilities of the Committee include:

- Engaging in any activity and acting as an advisor to the Board in respect of matters falling within the Committee's terms of reference;
- Approving the Company's environmental and social ("E&S") strategy;
- Overseeing the setting and achievement of targets under the Company's E&S strategy;
- Monitoring and overseeing the Company's E&S (including safety) performance and the related frameworks and initiatives;
- Approving E&S investments by the Company in excess of the thresholds set by the Board, in accordance with the Company's E&S investment framework;
- Overseeing the Company's stakeholder engagement strategy;
- Identifying emerging corporate responsibility and sustainability issues arising from external trends;
- Reviewing the Company's annual Sustainability Report and recommending endorsement by the Board; and
- Providing updates to the Board on matters falling within the Committee's remit as required.

Before the Board Committees restructuring, the principal responsibilities included:

- Overseeing the Company's stakeholder engagement and external communication strategies;
- Recommending the Corporate Responsibility Policy to the Board for approval;
- Monitoring and overseeing the implementation of the Company's Corporate Responsibility Policy and related initiatives;
- Identifying emerging corporate responsibility issues arising from external trends;
- Reviewing the Company's annual Sustainability Report and recommending approval by the Board;
- Reviewing the Company's environmental and social performance; and
- Providing updates to the Board on matters falling within the Committee's remit as required.

Please also refer to the "Corporate Responsibility" section (pages 74 to 81) of this Annual Report.

Work performed during the year:

- Monitored the advancement of the New Social and Environmental Objectives of Social Inclusion, Greenhouse Gas Emissions and Advancement & Opportunities;
- Reviewed and recommended the 2020 Sustainability Report to the Board for approval;
- Considered the Company's performance on various local and international sustainability indices;
- Monitored the progress of a Carbon Reduction Study; and
- Monitored the progress of various youth, elderly and district-level community engagement and investment programmes.

Finance & Investment Committee

The Finance & Investment Committee is a new Board Committee established on 1 February 2022. As at the date of this Report, the Committee consists of six NEDs, of which five are INEDs and the Chairman is an INED. Its terms of reference are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

Principal responsibilities:

Reviewing proposals from the Company's Executive Directorate on the following matters and providing an assessment of such proposals to the Board for its consideration:

- the annual budget and financing plan of the Company;
- the Company's preferred financing model;
- the Company's dividend policy;
- if in excess of the financial or other thresholds set by the Board, bank borrowings or other financing agreements, investments and disposals, parent company guarantees, expenditure and revenue contract awards;
- the strategy for (if in excess of the investment threshold set by the Board) and the award of tenders for the Company's property development projects in Hong Kong;
- the average and floor selling prices for units within the Company's property development projects;
- project proposals for new capital works projects in Hong Kong; and
- the investment caps for the Company's Mainland China and International Businesses and for any other part(s) of the Company's business.

Technology Advisory Panel

The Technology Advisory Panel is a new panel of the Company established on 1 February 2022. As at the date of this Report, the Panel consists of three members of the Board, of which two are INEDs, and an external advisor. The Chairman of the Panel is an INED.

The terms of reference of the Panel are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

Principal responsibilities:

- Reviewing and providing input and direction to the setting and implementation of the Company's digital strategy and "Engine 2" strategy, the Company's long-term technological development plans and implementation schemes, as well as the Group's cyber security positioning; and
- Reviewing relevant digital trends, new technologies and cyber security developments and incidents and make recommendations to the Company's Executive Directorate and, where appropriate, the Board on further developing the Company's digital strategy and cyber security positioning.

Company Secretary

Ms Gillian Elizabeth Meller, being the Legal and Governance Director and a Member of the Executive Directorate, reports to the CEO. Her role as the Company Secretary includes:

- Providing access to advice and services for Members of the Board;
- Ensuring the correct Board procedures are followed;
- Advising the Board on all corporate governance matters;
- Arranging for Members of the Board, their Alternate Directors and Members of the Executive Directorate, upon their appointment, to receive a comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company, as well as the general and specific duties of directors under general law (common law and legislation) and the Listing Rules;
- Recommending Members of the Board, their Alternate Directors and Members of the Executive Directorate to attend relevant seminars and courses; and

- Arranging for training on relevant new or amended legislation or other regulations to be provided at Board meetings.

In 2021, Ms Meller undertook over 15 hours of professional training to update her skills and knowledge.

Appointment, Re-election and Removal of Members of the Board

A person may be appointed as a Member of the Board at any time either by:

- the shareholders in general meeting in accordance with the “Appointment Procedure for Members of the Board of the Company”, which is available on the website of the Company (www.mtr.com.hk); or
- the Board upon the recommendation of the Nominations Committee of the Company; or
- the Chief Executive of the HKSAR in the case of the Additional Directors.

Members of the Board who are appointed by the Board during a year must retire at the first annual general meeting after their appointment and are eligible for election at that meeting.

Except for the Additional Directors, all other Members of the Board are required to retire by rotation. At each annual general meeting of the Company, Members of the Board who were last elected or re-elected at the annual general meeting which was held in the third calendar year prior to the annual general meeting in question, are those who will retire by rotation.

The Additional Directors may not be removed from office except by the Chief Executive of the HKSAR and are not subject to any requirement to retire by rotation.

The Company has a service contract with each of the NEDs (with the exception of the Additional Directors) and the INEDs, specifying the terms of his/her continuous appointment as a NED or an INED and as the chairman or a member of the relevant Board Committee(s).

Nomination Policy

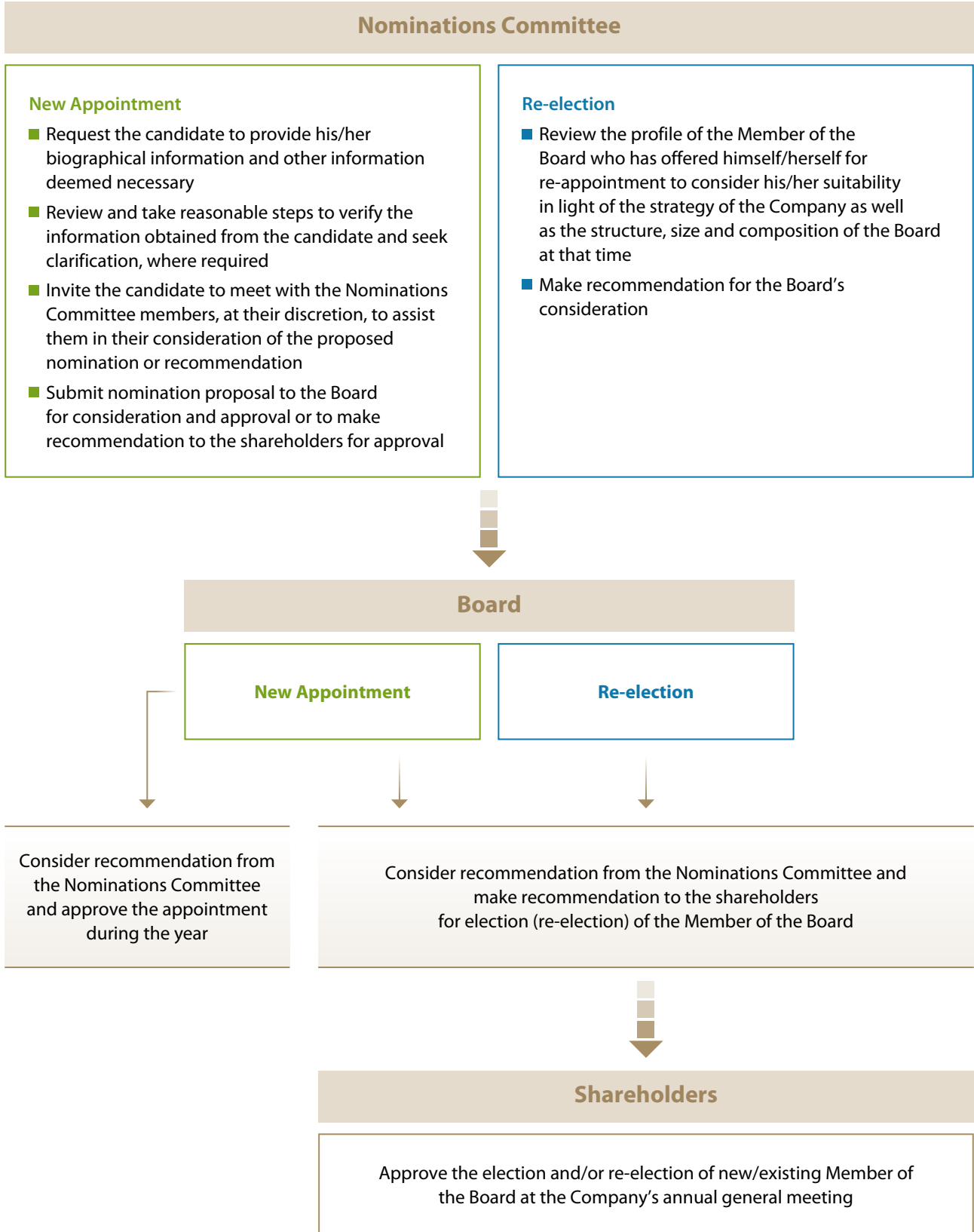
A Nomination Policy (the “Nomination Policy”) updated in March 2022, documenting the procedures and practices that have been adopted by the Company, is posted on the Company’s website (www.mtr.com.hk).

The Nomination Policy sets out the process and procedures for governing the nomination of Members of the Board applicable to both new appointments and re-appointments, except for appointments made by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance and nomination by shareholders of the Company in accordance with the Articles of Association.

The Board has delegated to the Nominations Committee the authority to identify and assess potential candidates for appointment to the Board through different means and channels, including recommendations from Members of the Board, use of external search firms, and any other means or channels that it deems appropriate. To ensure an appropriate level of refreshment of views at the Board, recommendations from the Nominations Committee to the Board are required to set out justifications for re-appointing a Member of the Board who has completed three consecutive terms of service (each of three years); in addition, for an INED who has completed three consecutive terms of service (each of three years), a recommendation from the Nominations Committee for his/her re-appointment shall include the reason(s) why such INED is still considered to be independent and should be re-appointed.

Nomination Procedures

The following diagram demonstrates the nomination procedures for new appointments and re-elections of Members of the Board:



Selection Parameters

In evaluating a proposed candidate, including a Member of the Board eligible for re-appointment, the Nominations Committee will consider the following factors (which are by no means exhaustive):

- (i) the strategy of the Company;
- (ii) the structure, size, composition and needs of the Board and its respective Board Committees at the time (including the number of INEDs on the Board), taking into account succession planning and the diversity of the Board, where appropriate;
- (iii) the required skills, which should be complementary to those of the existing Members of the Board;
- (iv) the BD Policy of the Company as adopted/amended by the Board from time to time;
- (v) any information obtained through third party references or background checks;
- (vi) any other factors that may be used as reference in assessing the suitability of a proposed candidate, including but not limited to the candidate's reputation for integrity, qualifications, accomplishments, likely commitment in terms of time and interest and expected contribution to the Company;
- (vii) if a proposed candidate will be holding his/her seventh (or more) listed company directorship, the candidate's ability to devote sufficient time to the Board;
- (viii) the need for a strong independent element on the Board; and
- (ix) the independence of a candidate proposed to be appointed as an INED, in particular by reference to the independence requirements under the Listing Rules.

The Nominations Committee is vested with discretion to take into account such other factors that it may consider appropriate.

The Nominations Committee will review the implementation of the Nomination Policy at least annually, including the mechanisms for ensuring independent views and input are available to the Board, and make recommendations on any proposed changes to the Board for the Board's review and approval to ensure its effectiveness.

Board Diversity

The Company has posted its BD Policy, updated in March 2022, on the Company's website (www.mtr.com.hk).

The BD Policy sets out a clear objective and provides that the Company should endeavour to ensure that its Members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Company is conscious of maintaining a Board made up with INEDs as the majority, together with an appropriate level of female Members on the Board, which shall not be less than 20% with immediate effect and 25% by 2025. While conscious efforts are being taken by the Company to fulfil its pledges, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The Nominations Committee will review the implementation of the BD Policy at least annually and make recommendation on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness.

The BD Policy and the list of desirable skills/experience/perspectives of Members of the Board were taken into account by the Nominations Committee and the Board in considering the following new appointments during the year:

- (i) Mr Hui Siu-wai as an INED; and
- (ii) Mr Adrian Wong Koon-man as an INED.

The Committee and the Board formed the view that, with Mr Hui's rich experience in surveying and building and construction regulation and Mr Wong's wide experience in corporate finance, real estate and equity investments, each of them would be a valuable addition to the Board and would further enrich the spectrum of skills, experience and diversity of perspectives of the Board, thereby enhancing the diversity and effectiveness of the Board.

Gender



Designation



Age Group



Number of Years as Board Members (Years)



Outside Directorships (Number of listed companies)



INED INDEPENDENCE AND STATUTORY CONFIRMATIONS

For the year ended 31 December 2021, the Company has received an annual confirmation from each INED about his/her independence and, where applicable, the interests of his/her immediate family member(s) (as defined under the Listing Rules). The Nominations Committee has reviewed the said confirmations and assessed the independence of the INEDs, and continues to consider each of them to be independent.

Each Member of the Board ensures that he/she can give sufficient time and attention to the affairs of the Company and contribute to the development of the Company’s strategy and policies through independent, constructive and informed comments.

Regarding disclosure of the number and nature of offices held by Members of the Board in public companies or organisations and other significant commitments, as well as their identity and the time involved (the “Commitments”), to the Company, all Members of the Board have disclosed their Commitments to the Company in a timely manner. In relation to the two Members of

the Board having a common directorship as INEDs in the Company and another company listed on the Stock Exchange, the Nominations Committee has assessed during the year that the said cross-directorship should not undermine their independence.

Before each regular Board meeting, the Company reminds each Member of the Board to update his/her “Declaration of Other Directorships, Major Appointments and Interests” (the “Declaration”). The Declaration of each Alternate Director is sent to him/her for update on a quarterly basis. In addition, each Member of the Board and each Alternate Director is required to confirm his/her other directorships, major appointments and interests to the Company twice a year.

Save as disclosed in this Annual Report, none of the Members of the Board or the Executive Directorate has any relationship (including financial, business, family or other material or relevant relationships) with another Member of the Board or the Executive Directorate or holds any cross-directorships. In addition, none of the Members of the Board holds seven (or more) directorships in listed companies (including the Company) or has significant links with other Members of the Board through involvements in other companies or bodies as at 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the “Model Code”). After having made specific enquiry, the Company confirms that all Members of the Board and (where applicable) their Alternate Directors and all Members of the Executive Directorate have complied with the Model Code throughout the year.

Senior managers, other nominated managers and staff who, because of their office in the Company, may be in possession of Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) of the Company (collectively the “Model Code Managers”), have also been requested to comply with the provisions of the Model Code.

For enhanced monitoring and effectiveness, the Company has implemented a Model Code Managers Management System to provide one-stop access to the relevant key processes to support compliance with the Model Code. Periodic training is also required to be completed by Model Code Managers.

DIRECTORS’ INSURANCE

As permitted under the Articles of Association, it has been the practice of the Company to arrange Directors’ and Officers’ (“D&O”) Liability Insurance for which Members of the Board and officers of the Company do not have to bear any excess. To ensure sufficient cover is provided, the Company undertakes an annual review of the Company’s D&O insurance policy in light of recent trends in the insurance market and other relevant factors. The review benchmarks the amount of cover against other similar companies and considers whether separate cover will be required for Members of the Executive Directorate or Members of the Board. The conclusion of the review in year 2021 was that the level of cover was adequate and, given this, together with the indemnity provided by the Company to Members of the Board, the broad policy wording and the financial strength of the insurance panel, no additional cover was required.

CORPORATE GOVERNANCE FUNCTIONS REVIEW

The Board conducted an annual review of its Corporate Governance duties in accordance with its terms of reference on Corporate Governance Functions and the latest review was done in March 2022. Below is a summary of the work performed during the year ended 31 December 2021:

- Developed and reviewed the Company’s policies and practices on corporate governance, including the corporate governance framework, the BD Policy and the Nomination Policy;
- Reviewed and monitored the training and continuous professional development of Members of the Board and senior management;
- Reviewed and monitored the Company’s policies and practices on compliance with legal and regulatory requirements;
- Developed and reviewed and monitored the Code of Conduct and Directors’ Manual; and
- Reviewed the Company’s compliance with the CG Code.

The Board considers that, overall, the Company’s Corporate Governance Functions are adequate and appropriate for the Company in light of its current corporate strategy. They will be kept under review in light of the changing legal and regulatory environment and any changes to the Company’s business.

The terms of reference on Corporate Governance Functions updated in January 2022 are available on the websites of the Company (www.mtr.com.hk) and the Stock Exchange.

BOARD PROCEEDINGS

The Board generally meets in person regularly. In light of the prolonged Coronavirus Disease 2019 (“COVID-19”) pandemic situation, electronic means have also been provided to Members of the Board to facilitate them to participate in meetings virtually, which is permissible under the Company’s Articles of Association, while at the same time reducing face-to-face contact. The same arrangements also applied to the meetings of Board Committees and Executive Committee meetings. The Company’s introduction of an electronic meeting solution

for Board meetings and Executive Committee meetings in 2017, which has subsequently been expanded to meetings of Board Committees, has also enabled all Members of the Board, Board Committees and the Executive Committee to access meeting documents and join virtual meetings remotely in a secure, efficient and convenient manner.

All Members of the Board have full and timely access to relevant information and may take independent professional advice at the Company's expense, if necessary, in accordance with the approved procedures. Members of the Board also have full access to Members of the Executive Directorate as and when they consider necessary.

The draft agenda for Board meetings is prepared by the Company Secretary and approved by the Chairman of the Company. Members of the Board are advised to inform the Chairman or the Company Secretary not less than one week before the relevant Board meeting if they wish to include a matter in the agenda of the meeting. The agenda together with Board Papers are usually sent at least three days before the intended date of the Board meeting.

The Board meeting dates for the following year are usually fixed by the Company Secretary with the agreement of the Chairman, before communicating with other Members of the Board, in the third quarter of each year.

At regular Board meetings, Members of the Executive Directorate together with senior managers report to the Board on their respective areas of business.

The CEO Report, provided to the Board on a monthly basis, covers the overall strategies, progress of the Company's transformation programme, principal issues (including topical issues such as the impact of the recent pandemic on the Company's business in different jurisdictions) and key events of the Company for the relevant month and provides key information in areas such as the Group's safety performance in different business sectors, financial activities, contingent liabilities, human resources developments and new railway projects, as well as a look ahead to key issues or events in the following three to six months. This CEO Report together with the discussions at Board meetings, ensures that Members of the Board have an overall understanding of

the Company's business and other key information about the Company, and provides up-to-date information to enable them to make informed decisions for the benefit of the Company.

MATERIAL INTERESTS AND VOTING

All Members of the Board and the Executive Directorate are required to comply with their common law duty to act in the best interests of the Company and have particular regard to the interest of the Company's shareholders as a whole. To this end, all of them are required to declare the nature and extent of their interests, if any, in any contract, transaction, arrangement or other proposal to be considered by the Board at Board meetings.

Unless specifically permitted by the Articles of Association, a Member of the Board cannot cast a vote on any contract, transaction, arrangement or any other kind of proposal in which he/she has an interest which he/she knows is material. For this purpose, the interests of a person who is connected with a Member of the Board (including any of his/her associates) are treated as the interests of the Member of the Board himself/herself. Interests purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. A Member of the Board may not be included in the quorum for such part of a meeting that relates to a resolution he or she is not allowed to vote on but he or she shall be included in the quorum for all other parts of that meeting. This reduces potential conflicts which might otherwise arise between the Company's business and an individual Member of the Board's other interests or appointments.

If a conflict arises between the interests of the Company and those of Government, each Government-nominated Director and any Director holding a senior Government position, is not included in the quorum for that part of the meeting which relates to the contract, transaction, arrangement or other proposal being considered by the Board and in relation to which the conflict exists and is not allowed to vote on the related resolution.

There are a number of contractual arrangements that have been entered into between the Company and Government (and/or its related entities), some of

which are continuing in nature. As Government is a substantial shareholder of the Company, such contractual arrangements are connected transactions (and in some cases continuing connected transactions) for the purposes of the Listing Rules. The sections headed “Connected Transactions” and “Continuing Connected Transactions” (pages 173 to 194) of this Annual Report explain how, in accordance with the Listing Rules, these transactions have been treated.

Matters to be decided at Board meetings are decided by a majority of votes from Members of the Board allowed to vote, although the usual practice is that decisions reflect the consensus of the Board.

BOARD MEETINGS

The Board held eight meetings in 2021 (seven Regular Meetings and one Special Meeting), well exceeding the requirement of the CG Code which requires every listed issuer to hold board meetings at least four times a year.

In addition and as required by the Listing Rules, the Chairman has met with INEDs only without the presence of other Members of the Board during the year, at which matters surrounding the implementation of the new Corporate Strategy and transformation programme, the performance of the Management team, the proposed changes to the Board Committees memberships and terms of reference, ways to enable Board Members to know more about the Company’s operations, the need for continuous focus on staff motivation and ways to further improve the presentation of papers and reports to the Board were discussed.

Regular Meetings

At each Regular Meeting, the Board reviewed, discussed and, where appropriate, approved matters relating to the Company’s different businesses and financial and operational performance.

In addition, other key matters discussed at Board meetings held in 2021 included:

- Corporate Strategy:
 - Receipt of progress report and updates on the corporate transformation programme;
- Corporate Governance matters, including:
 - Annual review of the structure, size and composition of the Board and its corporate governance functions for 2020; annual assessment of (i) the independence of the INEDs; and (ii) the effectiveness of the Company’s risk management and internal control systems for 2020;
 - Recommendation of the appointment of new Members of the Board, re-election of retiring Members of the Board, and amendments to the Articles of Association for approval by shareholders at the 2021 AGM;
 - Approval of changes to the composition of Board Committees;
 - Consideration of new/proposed changes to the terms of reference of a new Board Committee and a new Advisory Panel/existing Board Committees, and proposed amendments to the Protocol; and the annual update to the Directors’ Manual;
 - Receipt and consideration of reports from Management on key matters such as corporate safety governance, enterprise risk management and sustainability;
 - Receipt of shareholder analysis and investors’ feedback; and
 - Receipt of report on the Board evaluation exercise;
- Transport Services:
 - Review of 2020 train service performance;
 - Receipt of a report on the performance of the East Rail Line’s new Signalling System and Mixed Fleet Operations;
 - Approval of agreements relating to the operation of the Tuen Ma Line Phase 2;
 - Approval of the Company’s fare adjustment principles in 2021 under the Fare Adjustment Mechanism (the “FAM”);
 - Approval of the Company’s fares proposal for 2021 under the FAM; and
 - Approval of a contract renewal strategy for station commercial space;

- Capital Works:
 - Approval of budget for the design consultancy, advance investigation works and related works, and award of preliminary design for the Northern Link project;
 - Approval of budget for the design consultancy and related contracts for the pre-construction stage of the Hung Shui Kiu Station project;
 - Approval of budget for advance works for the Siu Ho Wan Depot Property Development; and
 - Approval of the pre-construction stage budget for the Airport Railway Extended Overrun Tunnel;
- Property:
 - Approval of tender arrangements for property developments in Hong Kong;
 - Receipt of update on the Siu Ho Wan Depot Property Development and approval of the related budget for the detailed design and advance works; and
 - Receipt of reports on the Tai Wai Station Property Development (The Pavilia Farm) concrete strength deficiency incident;
- Mainland China and International Businesses:
 - Approval to bid for an overseas project;
 - Approval of a financial arrangement for a project in Mainland China; and
 - Receipt of business and strategy updates on Macao, Mainland China and International Businesses including projects in the pipeline;
- Financial:
 - Review and approval of the 2020 Annual and the 2021 Interim Report and Accounts;
 - Receipt of regular updates on the financial impacts of COVID-19;
 - Approval of the renewal of the US\$7 Billion Debt Issuance Programme;
 - Approval of the 2022 Budget and Longer Term Forecast;
 - Approval of a revised Financial Delegation Framework; and
 - Approval of the Enterprise Resource Planning implementation project;
- Human Resources:
 - Approval of 2021 Annual Pay Review.

Special Meetings

During 2021, one Special Meeting was held to consider matters, including a further capital injection into an international business as a result of the impact of COVID-19 on that business and the approval of the Company's participation in the tender for a property development site in Hong Kong.

The minutes of Board meetings are prepared by the Company Secretary or her delegate with details of the matters considered by the Board and decisions reached, including any concerns raised by Members of the Board or dissenting views expressed. The draft minutes are circulated to all Members of the Board for their comments within a reasonable time after the meeting. The approval procedure is that the Board formally adopts the draft minutes at the subsequent meeting. If Members of the Board have any comments on the draft minutes, they will discuss it at that meeting and any agreed changes will be reflected in the formal minutes of the relevant meeting. Minutes of Board meetings are kept by the Company Secretary and are open for inspection by all Members of the Board at the Company's registered office.

The attendance record of each Member of the Board (and each Member of the Executive Directorate) during the year is set out on pages 119 to 121 of this Report.

Members of the Board and the Executive Directorate Attendance of Meetings and Training in 2021

	Attendance									
	Board Meetings			Board Committees Meetings					2021 AGM	Training ^a
	RM	SM	AC	NC	RC	CWC	RiskC	CRC		
Total Number of Meetings	7	1	4	1	3	5	4	2	1	
Members of the Board										
Non-executive Directors ("NED")										
Dr Rex Auyeung Pak-kuen (Chairman) ⁽¹⁾	7/7	1/1		1/1	3/3			2/2 ^c	1/1	√
Christopher Hui Ching-yu ⁽²⁾ (Secretary for Financial Services and the Treasury)	5/7	0/1		1/1	0/3				0/1	√
Secretary for Transport and Housing (Frank Chan Fan) ⁽³⁾	4/7	1/1		0/1	2/3				0/1	√
Permanent Secretary for Development (Works) (Ricky Lau Chun-kit) ⁽⁴⁾	1/2	N/A				1/1	0/1		N/A*	√
Commissioner for Transport (Rosanna Law Shuk-pui) ⁽⁵⁾	7/7	1/1	3/4				3/4		0/1	√
Independent Non-executive Directors ("INED")										
Andrew Clifford Winawer Brandler ⁽⁶⁾	6/7	1/1	4/4				3/4 ^c		1/1	√
Dr Bunny Chan Chung-bun ⁽⁷⁾	7/7	1/1						2/2	1/1	√
Walter Chan Kar-lok ⁽⁸⁾	7/7	1/1		1/1				2/2	1/1	√
Dr Pamela Chan Wong Shui	7/7	1/1		1/1 ^c				2/2	1/1	√
Dr Dorothy Chan Yuen Tak-fai	7/7	1/1			3/3 ^c	5/5			1/1	√
Cheng Yan-kee	7/7	1/1			3/3	5/5 ^c			1/1	√
Dr Anthony Chow Wing-kin ⁽⁹⁾	7/7	1/1			3/3	5/5			1/1	√
Dr Eddy Fong Ching ⁽¹⁰⁾	7/7	1/1	4/4 ^c	1/1					1/1	√
Hui Siu-wai ⁽¹¹⁾	4/4	1/1				3/3	3/3		N/A*	√
Dr Rose Lee Wai-mun ⁽¹²⁾	5/7	1/1	4/4				4/4		1/1	√
Jimmy Ng Wing-ka ⁽¹³⁾	7/7	1/1				5/5		2/2	1/1	√
Benjamin Tang Kwok-bun ⁽¹⁴⁾	7/7	1/1			3/3		4/4		1/1	√
Adrian Wong Koon-man ⁽¹⁵⁾	4/4	1/1	3/3	N/A					N/A*	√
Johannes Zhou Yuan ⁽¹⁶⁾	7/7	0/1	3/4				4/4		1/1	√
Executive Director ("ED")										
Dr Jacob Kam Chak-pui (CEO)	7/7	1/1						2/2	1/1	√
Members of the Executive Directorate & the Executive Committee										
Dr Jacob Kam Chak-pui (CEO)	7/7	1/1						2/2	1/1	√
Adi Lau Tin-shing ^{(17(a))}									1/1	√
Roger Francis Bayliss ^{(17(b))}									1/1	√
Margaret Cheng Wai-ching								1/2	1/1	√
Linda Choy Siu-min ^{(17(c))}								0/1	1/1	√
Herbert Hui Leung-wah									1/1	√
Dr Tony Lee Kar-yun									1/1	√
Gillian Elizabeth Meller ^{(17(d))}								1/1	1/1	√
David Tang Chi-fai ^{(17(e))}									1/1	√
Jeny Yeung Mei-chun ^{(17(f))}									1/1	√
Members departed during 2021										
NED										
Permanent Secretary for Development (Works) (Lam Sai-hung) ⁽¹⁸⁾	4/5	1/1				3/4	2/3		0/1	√
INED										
James Kwan Yuk-choi ⁽¹⁹⁾	3/3	N/A					2/2	1/1	0/1	x
Lucia Li Li Ka-lai ⁽²⁰⁾	3/3	N/A	1/1	1/1					0/1	x
Member of the Executive Directorate & the Executive Committee										
Dr Peter Ronald Ewen ⁽²¹⁾									N/A	x

CORPORATE GOVERNANCE REPORT

Legend:

Board Meetings

RM – Regular Meeting(s)

SM – Special Meeting(s)

Board Committee Meetings

AC – Audit Committee (renamed “Audit & Risk Committee (“A&RC”)” with effect from 1 February 2022)

NC – Nominations Committee

RC – Remuneration Committee

CWC – Capital Works Committee

RiskC – Risk Committee (disbanded from 1 February 2022 due to Board Committees restructuring)

CRC – Corporate Responsibility Committee (renamed “Environmental & Social Responsibility Committee (“E&SRC”)” with effect from 1 February 2022)

2021 AGM – Annual General Meeting of the Company held on 26 May 2021

N/A – Not applicable

***** – appointed after the conclusion of 2021 AGM

C – Chairman of the committee

Ω – This includes (i) continuous professional development through attending expert briefings/seminars/conferences relevant to the Company’s business or directors’ duties arranged by the Company or external organisations, and reading regulatory/corporate governance or industry related updates; and (ii) induction and familiarisation programmes attended by newly appointed Directors

Notes:

- Dr Rex Auyeung has been re-appointed by the Financial Secretary Incorporated as the Chairman of the Board for a period of two and a half years starting from 1 January 2022 to 30 June 2024 (both dates inclusive).*
- Mr Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury) was appointed by the Board as a member of the Finance & Investment Committee (“F&IC”) of the Company and ceased to be a member of the NC of the Company, both with effect from 1 February 2022.*

The alternate directors of Mr Hui, acting on his behalf, attended two RM, one SM and three RC meetings. Mr Hui’s alternate director was not present at a portion of a Board Meeting at which the Company’s participation in the tender for a property development site in Hong Kong was discussed for avoidance of any actual or perceived conflict of interest.
- The alternate directors of the Secretary for Transport and Housing (Mr Frank Chan Fan), acting on his behalf, attended four RM (including a portion of one meeting), one NC meeting and one RC meeting. Mr Chan was not present at a portion of a Board Meeting at which the Company’s participation in the tender for a property development site in Hong Kong was discussed for avoidance of any actual or perceived conflict of interest.*
- Mr Ricky Lau Chun-kit became a NED of the Company with effect from 8 October 2021 when he took up the post of Permanent Secretary for Development (Works) (“PS for D(W”). He also became a member of each of the CWC and the RiskC of the Company, both with effect from the same date. He was then appointed by the Board as a member of the NC of the Company and ceased to be a member of the RiskC of the Company, both with effect from 1 February 2022.*

The alternate director of Mr Lau, acting on his behalf, attended one RM and one RiskC meeting.
- Miss Rosanna Law Shuk-pui (Commissioner for Transport) was appointed by the Board as a member of the Technology Advisory Panel of the Company and ceased to be a member of the RiskC of the Company, both with effect from 1 February 2022.*

The alternate director of Miss Law, acting on her behalf, attended one AC (now known as A&RC) meeting and one RiskC meeting. Miss Law was not present at a portion of a Board Meeting at which the Company’s participation in the tender for a property development site in Hong Kong was discussed for avoidance of any actual or perceived conflict of interest.
- Mr Andrew Brandler was appointed by the Board as a member and the chairman of the F&IC of the Company and ceased to be a member and the chairman of the RiskC of the Company, all with effect from 1 February 2022.*
- Dr Bunny Chan Chung-bun was appointed by the Board as a member of the F&IC of the Company with effect from 1 February 2022.*
- Mr Walter Chan Kar-lok was appointed by the Board as a member of the CWC of the Company and ceased to be a member of the CRC (now known as E&SRC) of the Company, both with effect from 1 February 2022.*
- Dr Anthony Chow Wing-kin was appointed by the Board as a member of the NC of the Company and ceased to be a member of the CWC of the Company, both with effect from 1 February 2022.*
- Dr Eddy Fong Ching was appointed by the Board as a member of the F&IC of the Company and ceased to be a member of the NC of the Company, both with effect from 1 February 2022.*
- Mr Hui Siu-wai was elected as a Board Member and became an INED of the Company with effect from the conclusion of the 2021 AGM, and was appointed by the Board as a member of each of the CWC and the RiskC of the Company with effect from the same date.*

Mr Hui was then appointed by the Board as a member of the AC (now known as A&RC) of the Company and ceased to be a member of the RiskC of the Company, both with effect from 1 February 2022.
- Dr Rose Lee Wai-mun was appointed by the Board as a member of the F&IC of the Company and ceased to be a member of the RiskC of the Company, both with effect from 1 February 2022. She was not present at a portion of a Board Meeting at which the Company’s participation in the tender for a property development site in Hong Kong was discussed for avoidance of any actual or perceived conflict of interest.*
- Mr Jimmy Ng Wing-ka was appointed by the Board as a member of the NC of the Company and ceased to be a member of the CWC of the Company, both with effect from 1 February 2022.*
- Mr Benjamin Tang Kwok-bun was appointed by the Board as a member of the Technology Advisory Panel of the Company and ceased to be a member of the RiskC of the Company, both with effect from 1 February 2022.*
- Mr Adrian Wong Koon-man was elected as a Board Member and became an INED of the Company with effect from the conclusion of the 2021 AGM, and was appointed by the Board as a member of each of the AC (now known as A&RC) and the NC of the Company with effect from the same date. He was then appointed by the Board as a member of the F&IC of the Company and ceased to be a member of the NC of the Company, both with effect from 1 February 2022.*
- Mr Johannes Zhou Yuan was appointed by the Board as a member and the chairman of the Technology Advisory Panel of the Company and ceased to be a member of the RiskC of the Company, all with effect from 1 February 2022.*

17. To support the implementation of the new Corporate Strategy, the following new management organisation and corporate reorganisation has been completed in phases:
- Mr Adi Lau Tin-shing was appointed as the Managing Director – Mainland China Business and Global Operations Standards and ceased to be the Managing Director – Operations and Mainland Business of the Company, both with effect from 1 July 2021.
 - Mr Roger Francis Bayliss was appointed as the Capital Works Director and ceased to be the Projects Director of the Company, both with effect from 22 February 2021.
 - Ms Linda Choy Siu-min was appointed as the Corporate Affairs and Branding Director and ceased to be the Corporate Affairs Director, both with effect from 1 July 2021. Ms Choy also ceased to be a member of the CRC (now known as E&SRC) of the Company with effect from 6 July 2021.
 - Ms Gillian Elizabeth Meller was appointed as the Legal and Governance Director and ceased to be the Legal and European Business Director of the Company, both with effect from 22 February 2021. Ms Meller was also appointed by the Board as a member of the CRC (now known as E&SRC) of the Company with effect from 6 July 2021.
 - Mr David Tang Chi-fai was appointed as the Property and International Business Director and ceased to be the Property and Australian Business Director of the Company, both with effect from 22 February 2021.
 - Ms Jeny Yeung Mei-chun was appointed as the Hong Kong Transport Services Director and ceased to be the Commercial Director of the Company, both with effect from 1 July 2021.
18. Mr Lam Sai-hung retired from the post of the PS for D(W) with effect from 8 October 2021, and, as a result, ceased to be a NED and a member of each of the CWC and the RiskC of the Company, all with effect from the same date.
- The alternate director of Mr Lam, acting on his behalf, attended one CWC meeting and one RiskC meeting. Mr Lam was not present at a portion of a Board Meeting at which the Company's participation in the tender for a property development site in Hong Kong was discussed for avoidance of any actual or perceived conflict of interest.
19. Mr James Kwan Yuk-choi retired as an INED and ceased to be a member of each of the CWC and the RiskC of the Company, all with effect from the conclusion of the 2021 AGM.
20. Mrs Lucia Li Li Ka-lai retired as an INED and ceased to be a member of each of the AC (now known as A&RC) and the NC of the Company, all with effect from the conclusion of the 2021 AGM.
21. Dr Peter Ronald Ewen retired as the Engineering Director and ceased to be a Member of the Executive Directorate of the Company, both upon the completion of his service agreement with the Company immediately after 21 February 2021.

INDUCTION PROGRAMME AND OTHER TRAINING

Induction Programme

On appointment, each new Member of the Board (including Government-nominated Directors), Alternate Director and Member of the Executive Directorate is given a comprehensive, formal and tailored induction programme which covers:

- the roles of a director from the strategic, planning and management perspectives, as well as the essence of corporate governance and the trends in these areas; and
- the general and specific duties of a director under general law (common law and legislation) and the Listing Rules.

In addition to the above, a Familiarisation Programme to understand the key areas of the Company's business and operations is also provided.

All Members of the Board, Alternate Directors and Members of the Executive Directorate are also provided with a Directors' Manual on their appointment which sets out, amongst other things, directors' roles and responsibilities, their key obligations from both a statutory and a regulatory perspective, and the terms of reference of the Board on its Corporate Governance Functions and of its Board Committees. The Directors' Manual is updated regularly to keep the contents up to date so that the Directors are kept abreast of changes and latest developments in the laws and regulations that are relevant to Directors and the Company. The latest updates to the Directors' Manual, approved by the Board in January 2022, reflected primarily (i) the changes associated with the Board Committees restructuring with effect from 1 February 2022; and (ii) the changes in the Listing Rules subsequent to the Stock Exchange's consultation conclusions on the "Review of Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments".

Training and Continuous Professional Development

Members of the Board and the Executive Directorate

To assist Members of the Board and the Executive Directorate in continuing their professional development, the Company Secretary recommends them to attend relevant seminars and courses at the cost of the Company.

Board Visit

In June 2021, certain Members of the Board and the Executive Directorate visited the Tuen Ma Line Stations to gain a first hand understanding of the railway operations of the Tuen Ma Line.

Training

Materials on the subject of corporate governance and e-learning provided by the Stock Exchange are also provided/notified to Members of the Board, Alternate Directors and Members of the Executive Directorate from time to time to keep them abreast of the latest developments on this front.

Each Member of the Board and the Executive Directorate has also provided to the Company a record of the training he/she has received during the year, which is set out on pages 119 to 121 of this Report.

Senior Executives

A comprehensive and tailored training programme has been developed for the Senior Executives of the Company. This programme consists of a series of workshops, seminars and e-learning which are organised on an on-going basis.

To support the enhancement of the business acumen, leadership and management skills of the Senior Executives, professors from renowned business schools and companies are engaged to share cutting-edge research and insights on thought leadership, leading change, digital transformation and innovation as well as contemporary management and business topics. Various tailored global leadership development virtual workshops

were also organised in 2021 to enable key Senior Executives to enhance their leadership, customer-centric and strategic thinking capabilities.

FINANCIAL REPORTING

Members of the Board are responsible for preparing the consolidated accounts of the Group. The consolidated accounts are prepared on a going concern basis and give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of the Group's consolidated financial performance and consolidated cash flows for the year then ended. In preparing the consolidated accounts for the year ended 31 December 2021, Members of the Board have selected appropriate accounting policies and have applied them consistently with previous financial period, apart from those new and amended accounting policies effective from 1 January 2021 as disclosed in the notes to the consolidated accounts for the year ended 31 December 2021. Judgments and estimates have been made that are prudent and reasonable. The reporting responsibilities of the external auditor of the Company (the "External Auditor") are set out on pages 198 to 201 of this Annual Report.

In support of the above, the consolidated accounts presented to the Board have been reviewed by Members of the Executive Directorate. For both the annual and interim reports and consolidated accounts, the Finance Function is responsible for clearing them with the External Auditor and the Audit & Risk Committee. In addition, all new and amended accounting standards and requirements, as well as any changes in accounting policies adopted by the Group, have been discussed and reviewed by the Audit & Risk Committee before adoption by the Group.

Members of the Board endeavour to ensure a balanced, clear and coherent assessment of the Group's financial position and performance in annual reports, interim reports, inside information announcements, and other financial disclosures required under the Listing Rules and other statutory requirements.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the risk management and the internal control systems of the Company and its subsidiaries and reviewing their effectiveness. With the assistance from the Audit & Risk Committee (which has taken over some of the duties of the former Risk Committee as mentioned in the Audit Committee Report on pages 132 to 134 of this Annual Report), the Board oversees the Company's risk management system (the "ERM" system) and internal control system on an on-going basis, sets appropriate policies and reviews the effectiveness of the systems at least annually.

Following a mandate from the Board to review the Company's internal control and risk management systems, in 2020, an external consultant conducted a deep-dive assessment of the Company's existing Three Lines of Defence ("3LoD") framework to identify any gaps or opportunities for improvement in the framework. Over the course of 2021, the Company has strengthened its Second Line of Defence through the establishment of an independent Assurance Management Department, which has been complemented by new technical and engineering Centres of Excellence, to help manage key risks.

The ERM system and the internal control system, with processes put in place by the Board, management and other personnel, are designed to manage (as opposed to eliminate) risk and provide reasonable assurance, not absolute assurance, against material misstatement or loss, regarding the achievement of objectives in the following areas:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Effectiveness of risk management

Systems Overview

The Executive Committee is responsible for:

- Implementing the Board's policies on risk management and internal controls;
- Identification and evaluation of the risks faced by the Company for consideration by the Board;
- Designing, operating and monitoring a suitable internal control system and risk management system; and
- Providing assurance to the Board that it has done so, together with a confirmation that these systems are effective and adequate.

In addition, all employees have responsibility for risk management and internal controls within their areas of accountability.

Business/Functional Management Committees

A number of committees have been established to assist the Executive Committee in the management and control of the Company's various core businesses and functions. Each committee has its own terms of reference which, together with the structure and composition of the committees, are reviewed from time to time to ensure they meet the Company's business and operational needs.

Internal Audit

The Head of Internal Audit reports directly to the Board via the Audit & Risk Committee and reports administratively to the CEO. The Internal Audit Department (“IAD”) has unrestricted access to information that allows it to review all aspects of the Company’s risk management, control and governance processes.

On a regular basis, it conducts audits on financial, operational and compliance controls and the risk management functions of the Company and its subsidiaries. Relevant members of the management team are responsible for ensuring that control deficiencies highlighted in internal audit reports are rectified within a reasonable time.

The IAD produces an annual internal audit plan for the Audit & Risk Committee’s approval. The audits are selected based on a risk assessment to ensure that business activities with higher risks are covered. On a half-yearly basis, the Head of Internal Audit reports to the Audit & Risk Committee including her opinion on the adequacy and effectiveness of the Company’s internal control system.

ERM system

The ERM system is an essential and integral part of the Company’s corporate governance framework and helps to sustain business success and create value for stakeholders. It involves a corporate-wide systematic risk identification and management process which aims to assist the Executive Committee and individual business unit managers to manage the key risks facing the Company and supports the Board in discharging its corporate governance functions.

More details of the features of the ERM system, the process used to identify, evaluate and manage significant risks, the significant risks being managed and the process used to review the effectiveness of the ERM system are set out in the “Risk Management” section (pages 135 to 139) of this Annual Report.

Control Activities and Processes

To ensure the efficient and effective operation of business units and functions, and the safety of the operating railway and construction works in railway projects, Corporation General Instruction(s) (“CGI(s)”), Business Units’/Functions’/Departments’ procedures and manuals, committees, working groups and quality assurance units are established to monitor and enforce internal controls and evaluate their effectiveness.

CGIs and various Departments’ procedures and manuals are established for preventing or detecting unauthorised expenditures/payments, safeguarding the Company’s assets, ensuring the accuracy and completeness of accounting records, and timely preparation of reliable financial information.

Directors and Department Heads of Business Units/ Functions, including General Managers/Project Managers for overseas subsidiaries/projects, are required to conduct annual assessments and certifications on the effectiveness of risk management and internal control systems within their areas of responsibility.

Compliance with Statutes and Regulations

All Department Heads, including General Managers/ Project Managers for overseas subsidiaries/projects, are responsible for ensuring compliance with the statutes and regulations applicable to their own functional units in accordance with the Regulatory Compliance Framework, with necessary legal support.

Issues relating to compliance with statutes and regulations, including potential and actual non-compliances, and the status of rectifications and actions taken to prevent recurrence are reported annually to the Executive Committee and the Audit & Risk Committee.



* as Audit & Risk Committee effective from 1 February 2022

Whistle-blowing Policy

A whistle-blowing policy has been put in place to deal with concerns related to fraudulent or unethical acts or non-compliances with laws and the Company’s policies that have or could have significant adverse financial, legal or reputational impacts on the Company. The whistleblowing channel is available to all staff, parties who deal with the Company as well as the general public. Every half year, a summary of all whistle-blowing cases handled by the Whistle Blowing Panel, staff complaints handled by the Human Resources Management Department and management initiated investigations are reported to the Executive Committee and the Audit & Risk Committee.

Inside Information Policy

The Company has developed a system with established policies, processes and procedures across all relevant Functions, Business Units and Departments for the handling and dissemination of Inside Information, which encompasses the following:

- A CGI sets out:
 - (i) the internal processes for identifying, assessing and escalating potential Inside Information to the Executive Committee and the Board;
 - (ii) the responsibilities of Model Code Managers in preserving the confidentiality of Inside Information, escalating upwards any such potential information and cascading down the message and responsibilities to relevant staff; and
 - (iii) the process for disclosure of Inside Information; and
- Training for Members of the Board and the Executive Directorate, Executive Managers, Department Heads and Model Code Managers is provided from time to time. In particular, Members of the Executive Directorate, Executive Managers, Department Heads and Model Code Managers are regularly required to complete a computer-based training programme on Inside Information.

Evaluation of the Effectiveness of the Risk Management System

The Company has surpassed the relevant requirement in the CG Code by completing an effectiveness review of the ERM system for the Company and its subsidiaries, and extending the review to the Company's key associates operating in Mainland China and overseas. For the year ended 31 December 2021, the Audit & Risk Committee, with delegated authority from the Board, has evaluated the effectiveness of the ERM system of the Company and considers that it is overall effective and adequate.

Details about the "Process of System Effectiveness Review" are set out in the Risk Management section (page 138) of this Annual Report.

Evaluation of the Effectiveness of the Internal Control System

For the year ended 31 December 2021, the annual review of the effectiveness of the internal control system of the Company and its subsidiaries and key associates was performed by the Audit & Risk Committee based on the following:

- Review of significant issues arising from internal audit reports and the external audit report
- Private sessions with internal and external auditors
- Review of annual assessment and certification of internal controls from Members of the Executive Directorate, management of overseas subsidiaries and key associates and Department Heads in their areas of responsibility

The Audit & Risk Committee concluded that the internal control system was overall effective

Evaluation of the Adequacy of Resources of the Company's Accounting, Financial Reporting and Internal Audit Functions

For the year ended 31 December 2021, the annual assessment performed by the Finance Function and IAD concluded that there were adequate resources, staff qualifications and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions.

The Company is committed to recruit, train and develop a team of qualified and competent accountants for overseeing the Group's financial reporting and other accounting-related matters. A process to capture and update relevant laws, rules and regulations applicable to the reporting and accounting function is in place. Designated officers will ensure relevant standards and ordinances including Hong Kong Financial Reporting Standards, the Listing Rules and the Companies Ordinance under their responsibility are complied with. Resources and provisions required to deliver the accounting and financial reporting function are critically reviewed during the annual budgeting exercise. Company-wide recruitment processes and staff development programmes are in place to address the competency, qualifications and experience required. Adherence to the process is confirmed on an annual basis by the designated officers to the Finance Director, who will conduct a formal annual review and report the review results to the Audit & Risk Committee.

In terms of internal audit, the Company is also committed to recruit, train and develop a team of qualified and competent internal auditors to provide independent and objective assurance and consulting services designed to add value and improve the Company's operations. A process to capture updated standards and best practices relating to internal audit is in place. Proper recruitment processes and staff development programmes are in place to address the

competency, qualifications and experience required. The Head of Internal Audit conducts a formal annual review on the adequacy of staff resources, qualifications and experience of the internal audit function and reports the review results to the Audit & Risk Committee.

Based on the above, the Audit & Risk Committee considered the resources, qualifications and experience of staff, training programmes and budget of the Company's accounting, financial reporting and internal audit functions were adequate.

Board's Annual Review

The Board has, through the Audit & Risk Committee, overseen the Company's risk management and internal control systems on an on-going basis. The Board has conducted its annual review of the risk management and internal control systems of the Company and its subsidiaries and key associates for the year ended 31 December 2021, and considers that such systems are overall effective and adequate, with supporting compliance mechanisms to provide assurance that the Company and its officers observe their disclosure obligations in respect of Inside Information.

The Board has also conducted a review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions for the year ended 31 December 2021, and considers the above resource components to be adequate.

CRISIS MANAGEMENT

To uphold the reputation of being one of the world's leading railway operating companies and in order to help ensure that the Company will respond to and recover from crises in an organised and highly effective manner, including timely communication with principal stakeholders such as Government departments and shareholders, the Company has an established mechanism

to activate different levels of crisis responses in the event of a crisis. The Corporate Crisis Management Team comprises relevant Members of the Executive Directorate and Executive Managers, and its operation is governed by a Corporate Crisis Management Plan which, among other things, sets out the duties of respective members. The Corporate Crisis Management Plan is kept in line with world-class standards and up-to-date through regular reviews. The operation of the Corporate Crisis Management Team is aided by an information system to keep track of the latest crisis situation, issues and strategic actions and disseminate crisis related information. Regular Corporate Crisis Management Team exercises are held to validate the corporate crisis management organisation and arrangements and to provide practices for members.

To further enhance the Corporate Crisis Management Framework, a review was conducted in 2021 to review the crisis response structure, to which the Business Unit Crisis Response level has been added to provide agility in crisis response.

In response to the prolonged COVID-19 pandemic in 2021, the Corporate Crisis Management Team has delegated the tactical level monitoring of the situation and the coordination of the Company's responses and actions to the Infectious Disease Management Team, with a view to striving to safeguard the health and safety of our customers, staff and contractors and reducing the impacts on the Company's operations.

GOVERNANCE OF SUBSIDIARIES AND ASSOCIATES

The Company has a number of subsidiaries and associates which operate independent businesses in Hong Kong, Macao, Mainland China and overseas. Notwithstanding the fact that these subsidiaries and associates are separate legal entities, the Company has implemented a management governance framework (the "Governance Framework") to ensure that it exercises an appropriate level of control and oversight as a shareholder of these subsidiaries and associates.

The Company's Governance Framework promotes collaboration between the corresponding Business Units/ Functions in the Company on the one hand and the subsidiaries and associates on the other hand and the implementation process of the Governance Framework in the Company's subsidiaries and associates starts from inception of any new business operations/investments.

Pursuant to the Governance Framework, the Company exercises its control and oversight through formulation of a governance structure that is tailored for individual subsidiaries and associates through (i) imposition of certain internal controls in key areas; and (ii) adoption of management practices and policies that are appropriate to the business nature and local situation. As a result, adequate internal controls will be adopted by subsidiaries and associates and the Company will be consulted and notified on important matters, complemented by regular reporting and assurance. Compliance with this governance structure is reported by subsidiaries and associates with significant operations on an annual basis.

BUSINESS ETHICS

Practising integrity and responsible business ethics is paramount to the Company's continued success. The Company's Code of Conduct lays down the requirements of the Company in terms of ethical practices and obliges staff to operate transparently and under the highest principles of fairness, impartiality and integrity in all of the places where the Company does business.

The Code of Conduct is reviewed and updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements. A total of four modules under the themes of Outside Work, Workplace Harassment, Proper Use of Departmental Funds and Use of Social Media had been launched from July 2020 to April 2021, which were a series of staff awareness programmes after the release of updated Code of Conduct in July 2020. As at the date of this Report, the Code of Conduct has been further updated and released in February 2022, and a new series of staff awareness

programmes will be launched featuring animation videos and interactive games with real life examples to help staff members better understand the principles of the Code and if certain acts are unlawful or unacceptable. Other education programmes, including seminars and mandatory online training programmes have also been introduced to raise staff awareness.

To ensure our staff members live up to the highest ethical standards, a policy related to prevention of bribery and illegal acceptance/offer of advantages has been in place. Staff members are also encouraged to report existing or perceived violations of the Code of Conduct as well as malpractices. Proper procedures related to the whistleblowing policy of the Company are in place, enabling staff members to raise their concerns in a safe environment and in complete confidence if they have genuine suspicions about any wrongdoings.

To assist new recruits in embracing the Company's values and ethical commitments, they are briefed on the Code of Conduct during the staff induction programme. New recruits are also required to complete the mandatory online training programmes within three months of joining the Company. The Code of Conduct is available on the Company's website (www.mtr.com.hk).

In addition, the Code of Conduct serves as a guideline for establishing a comparable ethical culture among our subsidiaries and associates in Hong Kong, Macao, Mainland China and overseas.

EXTERNAL AUDITOR

The Company engages KPMG as its External Auditor. In order to maintain KPMG's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit & Risk Committee, under its terms of reference, pre-approves all audit services to be provided by KPMG and discusses with KPMG the nature and scope of their audit and reporting obligations before the audit commences.

The Audit & Risk Committee also reviews and pre-approves the engagement of KPMG to provide any

non-audit services, for complying with relevant regulatory requirements and seeks to balance the maintenance of objectivity with value for money.

The nature of audit and non-audit services provided by KPMG and fees paid to KPMG (including any entity that is under common control, ownership or management with KPMG or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of KPMG nationally or internationally) are set out in note 10B to the consolidated accounts on page 226 of this Annual Report.

For maintaining independence and objectivity as the External Auditor of the Company, KPMG implements policies and procedures to comply with professional ethics and independence policies and requirements applicable to the work it performs. In addition, KPMG requires its audit partner serving the Group to rotate off the audit engagement with the Group at least once every seven years in accordance with the Hong Kong Institute of Certified Public Accountants/International Federation of Accountants Code of Ethics.

KPMG confirms its independence with regard to The Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants regarding auditor independence.

COMMUNICATION WITH SHAREHOLDERS

Annual General Meeting (the "AGM")

The Company's AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for the Chairman of the Company, the chairman of each Board Committee, all Members of the Executive Directorate and the External Auditor of the Company to attend AGMs to answer shareholders' questions. However, in light of the COVID-19 pandemic and the Prevention and Control of

Disease (Prohibition on Group Gathering) Regulation (Cap. 599G of the Laws of Hong Kong), only the Chairman of the Company, the chairman of each Board Committee, certain Members of the Executive Directorate and the External Auditor of the Company were invited to attend the 2021 AGM at the AGM venue and other Members of the Board and the Executive Directorate joined by electronic means.

The 2021 AGM was held on 26 May 2021 and the Company continued providing sign language interpretation in addition to simultaneous Cantonese, English and Putonghua interpretation. The Company also implemented a number of precautionary measures for the 2021 AGM, including restricting the number of shareholders who could physically attend the 2021 AGM through pre-registration and requiring submission of questions in advance of the meeting. For the benefit of the Company's shareholders who were unable to physically attend the 2021 AGM, the Company arranged a live webcast of the AGM with three choices of language (Cantonese, English and Putonghua). The webcast of the whole proceedings was also posted on the Company's website for viewing.

The 2022 AGM has been scheduled on 25 May 2022. With the aim of helping Shareholders save time and resources and reducing the Company's carbon footprint, the Company plans to hold the 2022 AGM in a hybrid format providing Shareholders with the option of attending physically or joining the AGM online. Also, the Company plans to continue providing the abovementioned simultaneous interpretation to further facilitate smooth and direct communication between the shareholders of the Company and the Company's Directors and management. The Company is committed to making available meeting facilities to enable all eligible attendees to be able to participate in the AGM.

Resolutions passed at the 2021 AGM

The Chairman proposed separate resolutions for each substantially separate issue at the 2021 AGM. Before the resolutions were considered, the Chairman exercised his right as the Chairman of the 2021 AGM under Article 71 of the Articles of Association to call a poll on all resolutions conducted by electronic means.

A total of 12 resolutions were passed at the 2021 AGM (with resolution no. 3 comprising four separate resolutions), each supported by over 99% of the votes cast. The full text of the resolutions is set out in the 2021 AGM Circular (which comprised Notice of the 2021 AGM) dated 16 April 2021 and the results of the AGM are available on the respective websites of the Company (www.mtr.com.hk) and the Stock Exchange.

Calling General Meetings

Directors of the Company may call a general meeting of the Company.

Shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may request the Directors of the Company to call a general meeting of the Company.

The requesting shareholders must state in their request the general nature of the business to be dealt with, and may include the text of a resolution to be moved at the general meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy or electronic form, which must be authenticated by the requesting shareholders.

The Directors of the Company are required to call the general meeting within 21 days after the date on which the Company receives such requests, and the general meeting must be held on a date not more than 28 days after the date of the notice convening the general meeting. If the requests include a resolution to be moved at the general meeting, the notice of the general meeting must include notice of the resolution. If the resolution is to be proposed as a special resolution, the Directors of the Company are required to specify the intention to propose the resolution as a special resolution in the notice of the general meeting.

If, within 21 days after the date on which the Company receives the required requests, the Directors of the Company do not proceed duly to call a general meeting, the shareholders who requested the general meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, provided that the general meeting must be called for a date not more than 3 months after the date on which the Company receives the required requests.

Procedures for Shareholders Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to the Companies Ordinance and the Articles of Association.

As regards proposing a person for election as a director, please refer to the "Appointment Procedure for Members of the Board of the Company" which is available on the website of the Company (www.mtr.com.hk).

Enquiries from Shareholders

The Company has a Shareholders' Communication Policy (available on the website of the Company (www.mtr.com.hk)) to provide shareholders with information about the Company to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The Board reviews the said policy annually to ensure its effectiveness.

The Company's Shareholders Communication Policy has set out, amongst other things, a channel for shareholders access to the Board and management by writing to the Company Secretary of the Company.

Please also refer to the Investor Relations section (pages 100 to 101) of this Annual Report on other means of communication with shareholders.

CONSTITUTIONAL DOCUMENT

With a view to meeting the Company's obligations to safeguard the health and safety of shareholders attending general meetings while, at the same time, protecting shareholders' fundamental rights to attend such meetings, ask questions and vote, certain amendments to the Articles of Association were proposed to and approved by shareholders at the 2021 AGM, which included, inter alia, (i) providing greater flexibility for the Company in holding general meetings as hybrid meetings and conducting general meetings at more than one location where shareholders of the Company can participate using electronic facilities, in addition to/instead of attending physically; and (ii) empowering the Board and the chairman of general meetings to make necessary arrangements for managing shareholders' attendance and/or participation and/or voting at general meetings. The approved and adopted Articles of Association (in both English and Chinese) are available on the websites of both the Company (www.mtr.com.hk) and the Stock Exchange.

For the reasons highlighted below, the Board proposes to increase the cap on Directors' fees contained in the Articles of Association to HK\$11,000,000 in order to allow flexibility for the Company in reviewing the Directors' fees and to enable the Company to bring the Directors' fees more in line with the market so as to allow the Company to continue to attract Directors of a suitable calibre:

- (i) existing Article 100 of the Articles of Association provides that the total fees paid to Directors for performing their services as Directors must not exceed (a) HK\$10,000,000 a year (the "Cap"); or (b) any greater amount fixed by ordinary resolution passed at a general meeting;
- (ii) the existing Cap was last adjusted and approved by Shareholders at the Company's 2014 AGM and the fees payable to each Director were last adjusted in January 2017. Since 2014 (a) the size of the Board (excluding the Executive Director who is also a member of the Executive Directorate) has increased (from 14 to 19); (b) a new Board Advisory Panel has been established in February 2022; and (c) there has generally been an upward trend in terms of the fees paid to directors of comparable companies; and
- (iii) the relevant Board members are currently not being remunerated for their advisory role on the Council of the MTR Academy. Currently the annual total fees payable to Directors (excluding the Executive Director who is also a member of the Executive Directorate) has reached HK\$9,970,000, which is very close to the Cap.

The Company has no immediate plan to adjust the Directors' fees under the existing Non-executive Director remuneration framework.

The proposed amendment will be subject to the approval of the shareholders of the Company by way of a special resolution at the forthcoming AGM. Details will be set out in the circular to be issued to shareholders together with this Annual Report.

For and on behalf of the Board

Gillian Elizabeth Meller
Company Secretary
Hong Kong, 10 March 2022