

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
(the “Company”)

THE BOARD OF DIRECTORS

TERMS OF REFERENCE

MEMBERSHIP

The Board of Directors of the Company (the “Board”) shall consist of not less than four Directors including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors. There should be at least three Independent Non-Executive Directors and the number of Independent Non-Executive Directors shall represent at least one-third of the Board.

The Company Secretary shall act as the secretary of the Board.

MEETINGS

The Board shall meet at least four times a year and when necessary for the proper discharge of its duties. The quorum of a meeting shall be three members of the Board. The Board proceedings shall be governed by the Articles of Association of the Company.

THE FOLLOWING MATTERS ARE RESERVED TO THE BOARD FOR ITS DECISION

The Board is collectively responsible for the success of the Company. It carries out this responsibility partly through direct action and partly by delegating authority to various Board committees. The Board reserves powers in relation to the most significant matters of the Group, including but not limited to:

Group strategy

- 1 Formulate the long and short-term strategic directions of the Group, including reviewing new investment opportunities and projects, and the balance between different components of the Group business.
- 2 Review and approve major investments, acquisitions, and disposal of major assets.
- 3 Develop and protect of The Peninsula brand, its values and business principles.
- 4 Review the progress of and challenges experienced on existing projects and formulate appropriate business strategy with a view to ensuring project completion and protection of shareholder value.

Performance

- 5 Monitor the Group’s performance against the agreed strategy and business plan on a regular basis.
- 6 Evaluate the Board’s performance regularly.

Finance

- 7 Approve the financial statements, annual and interim reports, preliminary results’ announcements and make judgments that are fair and reasonable in the preparation of any Company’s disclosure documents.

- 8 Approve the annual budgets and forecasts of the Group and its constituent companies.
- 9 Approve any significant changes in accounting policies.
- 10 Approve any changes to the Company's capital structure.
- 11 Set dividend policy and declare or recommend the payment of a dividend.
- 12 Authorise any material borrowings and expenditures that exceed the delegated authority limits for Board Committees as set out under the Company Management Authority Manual.

Risk Management and Internal controls

- 13 Oversee the risk management and internal control systems of the Group on an ongoing basis including reviewing and discussing reports from the Audit Committee, the Group Management Board and the Group Risk Committee.
- 14 Review the effectiveness of the Group's risk management and internal control systems and disclose accordingly in its Corporate Governance Report.
- 15 Identify, manage and monitor principal risks of the Group and ensure the implementation of appropriate systems by management to manage those risks.

Corporate Governance

- 16 Develop, review and monitor the Company's corporate governance policies and practices, to ensure compliance with legal, regulatory requirements and corporate governance standards.
- 17 Review and monitor the Company's Code of Conduct and any compliance manuals.
- 18 Review and monitor the training and continuous professional development of directors and senior management.
- 19 Review the contribution required from a Director to perform his/her responsibilities; and whether he/she is spending sufficient time performing them.
- 20 Oversee the performance by the Group of corporate governance duties as set out in the Company's Corporate Governance Code.
- 21 Review the Company's compliance with the code and disclosure in the Corporate Governance Report under the Listing Rules.
- 22 Review the Group's corporate responsibility and sustainability practices and the progress.

Appointment and remuneration

- 23 Approve the appointment or removal of any Director (for election or re-election in general meetings) and the Company Secretary.
- 24 Recommend to shareholders the appointment, re-appointment or removal of the Company's external auditor and approve its audit fee.
- 25 Review and endorse the fees recommended for Non-Executive Directors and Independent Non-Executive Directors by the Remuneration Committee for shareholders approval and approve the fees recommended by the Remuneration Committee for Board Committees Members.

Communication

- 26 Approve all announcements, circulars, notices and other disclosure documents required by the Listing Rules or any regulatory authority (except for documents of a routine nature).

Delegated Authorities

- 27 Form Board Committees and approve their respective terms of reference.
- 28 Set up or identify the parameters of authority delegated from the Board to the Board Committees under the Company Management Authority Manual.

General

- 29 Review the Board's terms of reference periodically and recommend any changes.

Note: The Board approved this set of terms of reference on 14 December 2016.