

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

The ESG Committee

The ESG Committee is delegated with the authority from the Board to review and monitor the Group's ESG policies and practices to ensure compliance with the relevant legal and regulatory requirements, monitor and respond to emerging ESG issues and make recommendations to the Board where appropriate to improve the Group's ESG performance. Its terms of reference are available on the HKEX Group website [ORG](#).

The ESG Committee comprises four INEDs and HKEX's Chief Executive, whose names and biographies are set out in the Board and Committees section of this Annual Report. The ESG Committee held one meeting in 2016. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

Summary of Work in 2016/2017

- Reviewed the training and continued professional development of the Directors and Senior Management
- Endorsed the annual Corporate Governance Report and the annual CSR Report
- Considered the proposal to engage an independent external consultant to conduct board evaluations for the Company and certain subsidiaries

ESG Policies and Performance

HKEX is committed to the highest standards of corporate governance and aims to integrate CSR into its business strategy and management approach. Details of HKEX's key corporate governance practices and activities during 2016 are disclosed in the Corporate Governance Report. HKEX's Corporate Governance Statement and CSR Policy are available on the HKEX Group website [CG/CSR](#).

In view of the business nature of the Group, we are not aware of any environmental laws and regulations that would have a significant impact on the Group. The Group, however, continues to do more than it is required by adopting measures to reduce energy and other resource use, minimise waste and increase recycling, encourage its employees to adopt environmentally responsible behaviour and promote environmental protection in its supply chain and marketplace. In 2016, the data centre at Tseung Kwan O, Hong Kong, was certified to the Gold level under the "Leadership in Energy and Environmental Design for Existing Buildings: Operations and Maintenance". During the year, HKEX achieved the Wastewi\$e Label – Class of Excellence under the Hong Kong Awards for Environmental Excellence.

HKEX promotes the development of socially responsible practices in its marketplace and community in accordance with its Community Investment Policy. In 2016, the Group contributed a total of \$2.4 million to different causes in communities where it operates and helped to raise \$62 million for The Community Chest of Hong Kong via the Stock Code Balloting for Charity Scheme and approximately £107,000 for the LME's charity partner, Little Havens Hospice. Throughout the year, the Group continued encouraging its employees to participate in different events organised by charities in their communities. The Group's employees and their guests contributed 3,782 hours of volunteer services in total.

HKEX supports efforts by its Directors and Senior Management to develop and refresh their knowledge and skills to ensure that their contributions to the Board and the Group remain informed and relevant. On 15 February 2017, the ESG Committee reviewed the training records of Directors and Senior Management for 2016 and concluded that the training they received was appropriate and adequate.

Relationships with Major Stakeholders

HKEX continues to engage with its employees, market participants, investors, suppliers and other stakeholders through different channels to develop mutually beneficial relationships and promote sustainability.

Employees are remunerated equitably and competitively. Training and development opportunities are provided to equip staff members to deliver their best performance and achieve corporate goals. In February 2016, HKEX communicated to its employees the results of the most recent employee engagement survey. The September 2015 survey had a high response rate of 89 per cent and its results showed an increase in staff engagement. Based on the findings of the survey, follow up actions such as focus group meetings have been carried out to formulate action plans for further improvement.

The market is usually consulted (formally or informally) on major initiatives and the views of the respondents are carefully and thoroughly considered to ensure that decisions are made in an informed manner and any changes are acceptable to the market. In 2016, HKEX announced its plan to revise the stock option position limit model for its derivatives market in light of strong market support for its proposed changes to the model. HKEX is continuing to work with the SFC on the joint consultation regarding proposed enhancements to the Exchange's decision-making and governance structure for listing regulation to take into account a wide range of views from market participants. In the UK, the LME has announced its decision to implement charge-capping on warehouse rents and free-on-trucks charges following a five-week market-wide consultation.

HKEX uses suppliers that reflect its values and commitment to being a good corporate citizen. In 2016, HKEX published its Supplier CSR Code of Conduct on the HKEX Group website [CSR](#) to promote good ESG practices in its network of suppliers. During the year, 27 representatives from HKEX's suppliers and other business partners supported and attended seminars related to prevention of bribery organised by HKEX under its ongoing stakeholder engagement programme.

CSR Reporting

During 2016, HKEX's Chief Executive provided to the Board quarterly CSR progress reports summarising the CSR initiatives undertaken by HKEX. Details of the Group's CSR performance in 2016 are disclosed in the 2016 CSR Report.

CHOW Chung Kong

Chairman of the ESG Committee

Hong Kong, 15 February 2017