

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 2017. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

Summary of Work in 2017/2018

- Reviewed the training and continuing professional development of the Directors and Senior Management
- Endorsed the annual Corporate Governance Report and the annual CSR Report

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 2017 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, HKEX is not aware of any environmental laws or regulations that would have a significant impact on the Group. The Group, however, continues to do more than is required by adopting measures to reduce energy and other resource utilisation, minimise waste and increase recycling, encourage its employees to adopt environmentally responsible behaviour and promote environmental protection in its supply chain and marketplace. During 2017, HKEX was awarded the "Excellence" Level Wastewiŝe Certificate under the Hong Kong Green Organisation Certification scheme. HKEX was also awarded the CarbonCare® ESG Label by CarbonCare InnoLab in recognition of its effort to adopt high standards of reporting in respect of its environmental policies and performance.

HKEX promotes the development of socially responsible practices in its marketplace and community in accordance with its Community Investment Policy. In 2017, the Group donated a total of \$3.1 million to different causes in communities where it operates and helped raise \$73 million for The Community Chest of Hong Kong via the Stock Code Balloting for Charity Scheme, and approximately £47,000 for the LME's charity partner, Little Havens Hospice. Throughout the year, the Group continued to encourage its employees to participate in different events organised by charities in their communities. The Group's employees and their guests contributed over 4,300 hours of volunteer services in total. To further deepen the Group's connection with communities, the Board has approved the plan to establish a charitable foundation to implement a more structured approach to the determination and oversight of the Group's corporate giving in the future.

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 14 February 2018, the ESG Committee reviewed the training records of Directors and Senior Management for 2017 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. HKEX conducted its latest employee engagement survey in May 2017 and communicated the survey results to its employees in November 2017. The survey had a high response rate of 89 per cent.

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. The Exchange launched a two-month consultation in June 2017 to seek market views on the New Board Concept Paper and a consultation paper on the GEM reform, and the respective conclusions were issued in December 2017. In addition, five other market consultations on listing matters were undertaken in 2017 to seek views on capital raisings, delisting, the Corporate Governance Code and various proposed amendments to the Listing Rules. In August 2017, HKEX published its conclusions on proposed after-hours derivatives trading (T+1 session) enhancements following a two-month market consultation. In September 2017, the SFC and the Exchange published conclusions to their consultation regarding proposed enhancements to the Exchange's decision-making and governance structure for listing regulation. In the UK, the LME announced its strategic pathway in September 2017, following publication of a discussion paper in April 2017 – a comprehensive market engagement process undertaken to elicit market feedback on its market structure. The LME further issued a market consultation in November 2017 on the introduction of an OTC booking fee for financial participants and enhanced trading regulations in support of market fairness, and the consultation decision notice will be published in due course.

HKEX uses suppliers that reflect its values and commitment to being a good corporate citizen. During 2017, 10 representatives from HKEX's suppliers and other business partners supported and attended seminars related to anti-discrimination and prevention of bribery organised by HKEX under its ongoing stakeholder engagement programme.

CSR Reporting

During 2017, HKEX's Chief Executive provided to the Board quarterly CSR progress reports summarising the CSR initiatives undertaken by the Group. Details of the Group's CSR performance in 2017 are disclosed in the 2017 CSR Report.

CHOW Chung Kong

Chairman of the ESG Committee

Hong Kong, 14 February 2018