



2010 Corporate Social Responsibility Report

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(Financial figures in this Report are expressed in HKD unless otherwise stated)

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Marketplace



Workplace



Community



Environment

The oxen symbolises strength, dedication and perseverance. We embrace these qualities in building a robust marketplace, quality workplace, caring community and healthy environment.

About this Report

Report Profile

Welcome to HKEx's 2010 CSR Report which describes our efforts to achieve sustainable development during the calendar year of 2010 and up to the publication of this Report. It is our aim to provide our stakeholders with a balanced and reasonable account of our journey towards sustainability and our commitment to sustainable value on an annual basis. Since 2009, we have applied the GRI Reporting Framework for reporting our CSR performance. Archived reports are available on the HKEx website [here](#).

Report Scope and Boundary

We defined the content of this Report after taking into account the materiality of sustainability issues arising from operating the central securities and derivatives marketplace in Hong Kong, our CSR priorities based on our organisational values, strategies and core competencies, and our stakeholders' expectations.

Relevant global, local and industry standards and best practices are adopted as guidelines for compiling this Report and monitoring our performance for continuous improvement. Data measurement techniques and the bases of calculations are explained adjacent to the data tables. Financial data is extracted from or compiled based on HKEx's audited annual accounts for the year ended 31 December 2010.

There are no significant changes from the previous reporting period in terms of scope, boundary or measurement methods of this Report. Any restatements of information provided in earlier reports and reasons for such restatements are explained where appropriate.

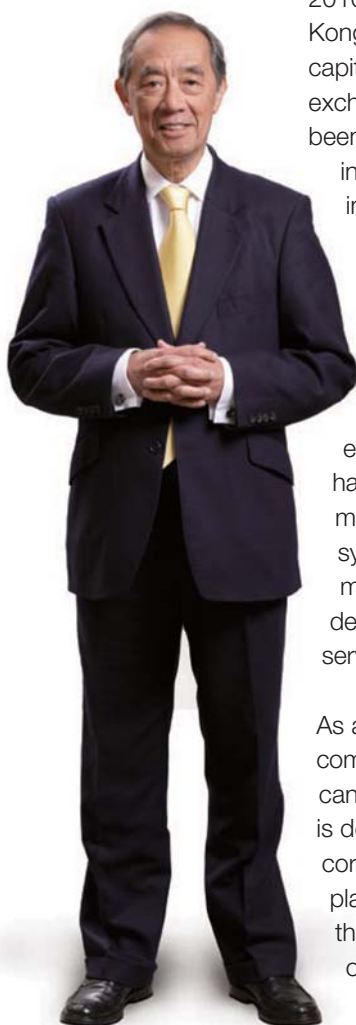
Assurance

This Report has been independently verified and achieved a GRI application level A+. The assurance statement issued by the verifier and the application level check statement issued by the GRI Secretariat are set out on page 39 and 40 respectively.

Contact

We value your feedback on our CSR performance and reporting. Please submit your feedback online [here](#) or contact: Mr Joseph Mau, Company Secretary, Secretarial Services Department, Hong Kong Exchanges and Clearing Limited, 12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong (telephone: +852 2840 3872, fax: +852 2878 7029, email: ssd@hkex.com.hk).

Message from the Chairman



2010 marks a momentous milestone for HKEx – our 10th anniversary as a listed company in Hong Kong since the merger of Hong Kong's securities and futures markets in June 2000. HKEx's market capitalisation of about \$190.1 billion as at the end of 2010 was the highest among the world's listed exchanges. Amidst the fast development of our business, our commitment to sustainability has not been lagging behind as we fully recognise our prominent role in promoting the sustainability agenda in the marketplace and addressing the risks and opportunities associated with ESG issues in this increasingly complex and competitive business environment.

The rapid development of emerging economies, in particular the Mainland, has stimulated the growth of the financial markets in Hong Kong in the past decade. At HKEx, we take a holistic approach to ensure that such growth is sustainable and it delivers long-term benefits. We have been diligent in our stakeholder engagement efforts, particularly in seeking market views on new initiatives, and fostering our cooperation with the Mainland and international exchanges, regulators and market practitioners through membership in the WFE of which I have the honour and privilege of serving as its Chairman. Apart from continuing to enhance market integrity and fairness, we expanded our products and services and upgraded our market systems in 2010. HKEx is committed to investing in its IT infrastructure as well as improving its market structure to make Hong Kong even more globally competitive as a financial centre. The development of our Next Generation Data Centre (NGDC) and the planned launch of hosting services business are critical elements of this strategy.

As a market regulator, we relentlessly promote better corporate governance among listed companies and believe that a systematic commitment to disclosure and transparency of ESG issues can help mitigate operational risks and generate business opportunities. In this respect, SEHK is developing a Guide to ESG Reporting for listed companies which will help uphold responsible corporate practices and mitigate investment risk. To set an example, HKEx is committed to playing a leading role by continuing to improve its own CSR disclosure and performance. With the establishment of our CSR Management System during 2010, we are set to better manage our CSR performance and further implement CSR practices that are relevant to our business operations in alignment with the principles and guidance of ISO 26000. We continue to adopt the GRI G3 Guidelines and take into account our stakeholders' expectations, particularly those of the responsible investment community, in our CSR reporting with the aim of enhancing accountability and transparency.

I am pleased to report that HKEx has been included in the newly launched Hang Seng Corporate Sustainability Index Series and the Dow Jones Sustainability Asia Pacific Index for the first time. Both reinforce our commitment to implementing best sustainability practices. Our stakeholders' participation and support underpin our achievements. We look forward to greater and more fruitful collaboration in the future as we continue to develop as an exchange operator that is committed to providing robust markets and a quality workplace, and building a caring community in a healthy environment.

Ronald Joseph ARCULLI
Chairman

Hong Kong, 2 March 2011

About HKEx

<p>HKEx served over 1,410 listed issuers, 510 SEHK Participants, 170 HKFE Participants, 22,720 IPs and 220 IVs</p>	<p>HKEx's cash market capitalisation ranked 7th and equity market turnover ranked 11th among the WFE member exchanges as at 31 December 2010</p>
<p>HKEx handled almost 221,500 derivatives contracts and 246,500 stock options contracts on an average daily basis</p>	<p>IPO funds raised reached about \$450 billion, an increase of 80% compared to 2009, ranking 1st among the WFE member exchanges as at 31 December 2010</p>

Our mission is to create and operate active international public financial markets in Hong Kong.

Our vision is to make HKEx the leading global financial exchange by combining the best characteristics of Chinese and international markets, including:

- Trusted legal, governance and market standards;
- Advanced trading and clearing technologies and infrastructure; and
- Products and services that position HKEx as the China exchange of choice for our global investors and issuers and the international exchange of choice for our Greater China issuers and investors.

HKEx's Strategic Plan 2010-2012 is set out on the HKEx website [here](#).

Our Core Values

HKEx is committed to performing its public duty to ensure fair, transparent and orderly markets, protecting the public interest and in particular, the interests of the investing public, and managing risks prudently. We work closely with the SFC, an independent non-governmental statutory body responsible for regulating the securities and futures markets in Hong Kong.

We have established a set of Core Values that reflect our unique position as the exchange controller and a listed commercial entity. They underpin our corporate culture, guide our behaviour in daily operations and interaction with different stakeholders, and lead us to pursue our CSR vision.





More details about our Core Values are available on the HKEx website [here](#).

Our Organisation

HKEx is a recognised exchange controller under the SFO which owns and operates the only stock exchange and futures exchange in Hong Kong and their related clearing houses, namely the HKSCC, HKCC and SEOCH. The Company was listed on the Stock Exchange by introduction on 27 June 2000 following the integration of Hong Kong's securities and derivatives markets and its ownership is governed by the SFO. As at 31 December 2010, 100% of HKEx's issued share capital was held by the public.

HKEx operates in Hong Kong and has representatives in Beijing, Shanghai and Guangzhou who serve to liaise mainly with government officials and potential listing applicants in the Mainland.

Our Functions

Description of HKEx's business and operational functions , which are under the classification of primary market, secondary market, IT, market development and corporate services, and HKEx's organisational chart , are available on the HKEx website.

During 2010, HKEx made a number of changes to its organisation structure to align it with its strategic direction as set forth in the Strategic Plan 2010-2012, details of which are available in the Corporate Governance Report of HKEx's 2010 Annual Report.

CSR Progress Highlights

Progress Highlights in 2010 and Future Priorities

The CSR Committee is responsible for monitoring and reporting our progress towards achieving HKEx's CSR objectives/targets periodically. Highlights of our progress in 2010 (✓), work-in-progress/on-going initiatives (↔) and priorities set for 2011 and beyond (!) are reported below.

CSR Objectives/Targets	Progress in 2010 and Future Priorities
CSR Management	
To adopt and implement a CSR Management System (CSRMS) including an Environmental Management System	<ul style="list-style-type: none"> ✓ The CSRMS structure was approved by the CSR Committee and adopted effective 1 January 2010. ✓ The CSRMS was developed with reference to ISO 26000 and ISO 14001 and includes elements that are relevant to HKEx's business nature and operations. ✓ The CSR Manual, which provides managerial direction and technical guidance for the implementation of good CSR practices, was adopted in November 2010 and made available to all employees via the HKEx Intranet. ✓ CSRMS implementation training was provided to the CSR Working Group and other representatives of each Division and Department in November 2010. ↔ The CSR Working Group is leading the implementation of CSRMS and will report progress on a quarterly basis to ensure its effectiveness.
To adopt a Supply Chain Management (SCM) System	<ul style="list-style-type: none"> ✓ Guidelines on SCM which address the significant social and environmental issues of HKEx's supply chain have been integrated into the CSR Manual. ✓ A CSR briefing was organised in February 2011 for HKEx's key suppliers to facilitate the implementation of SCM System. ↔ The CSR Working Group is facilitating the implementation of SCM System and will report progress on a quarterly basis to ensure its effectiveness.
Marketplace	
To maintain a level playing field for all market participants, provide consistent and accountable frontline regulation, and maintain high standards of corporate governance	<ul style="list-style-type: none"> ✓ Introduced new Listing Rules for mineral companies in June 2010 to align with global standards and to ensure that mineral companies listed in Hong Kong provide investors with material, relevant and reliable information. ✓ Introduced amended Listing Rules related to the acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong in December 2010. ✓ Undertook review of the initial listing eligibility criteria and completed a market consultation on proposed changes to the minimum number of shareholders for the market capitalisation/revenue test in January 2011. ↔ SEHK is reviewing the CG Code and proposed enhancements to align with international standards. The market consultation on the proposed enhancements will close on 18 March 2011.

To establish a Guide to ESG Reporting (ESG Guide) (previously titled CSR Code) for listed companies	<ul style="list-style-type: none"> ✓ Completed a soft consultation on the proposed ESG Guide in September 2010. ! SEHK will organise ESG reporting workshops for listed issuers based on a draft ESG Guide before publishing a consultation paper.
To reduce paper consumption in the market	<ul style="list-style-type: none"> ✓ Introduced amended Listing Rules to streamline the content requirements for circulars and listing documents of listed issuers in June 2010. ✓ Introduced automated stamp duty reporting and payment in September 2010. ✓ Launched the single licensing regime in December 2010. ✓ Introduced amended Listing Rules to remove the requirements for issuers to submit printed copies of various documents to the Exchange, including their annual and interim reports, in January 2011. ✓ Introduced the Mixed Media Offer initiative in February 2011 jointly with the SFC.
To develop trading products with an environmental theme	<ul style="list-style-type: none"> ↔ HKEx is monitoring the development of secondary markets for carbon emission trading.
To provide a platform for trading sustainability indices	<ul style="list-style-type: none"> ↔ HKEx is monitoring the development of ETFs on sustainability indices for listing in Hong Kong.


Workplace

To promote work-life balance and support the development of employees' well-being	<ul style="list-style-type: none"> ✓ An Employee Assistance Programme (EAP) was launched in August 2010 to provide external professional counselling services. About 200 employees attended the EAP briefing sessions. ✓ HKEx participated in Work-life Balance Day organised by Community Business, on 22 October 2010. ✓ A series of health care talks during lunchtime was organised, which attracted over 410 participants.
To strengthen the culture of being socially responsible	<ul style="list-style-type: none"> ✓ 2 seminars on the anti-discrimination ordinances were delivered by the Equal Opportunity Commission to about 80 employees. ✓ 3 seminars on corruption prevention were delivered by the ICAC to over 100 employees. ✓ The Human Resources Manual was updated to reflect HKEx's commitment to human rights protection in the workplace, as guided by internationally accepted principles such as those of the Universal Declaration of Human Rights.
To improve workplace quality	<ul style="list-style-type: none"> ✓ 43 employees successfully completed first aid training sponsored by HKEx and currently serve as certified first aiders across HKEx's offices. ✓ An occupational safety and health talk on manual handling operation and prevention of back injuries was delivered by the Labour Department to 65 employees.

Community	
To set charitable donation focus and budget	<ul style="list-style-type: none"> ✓ In June 2010, the Board approved an increase in the annual budget for charitable donations and a Community Investment Policy which sets out HKEx's donation and sponsorship focuses as well as the respective approval processes and monitoring mechanism.
To strengthen partnership with charitable organisations and support community services	<ul style="list-style-type: none"> ✓ HKEx participated in Employee Volunteer Week 2010 organised by Community Business, in May 2010. ✓ HKEx continued to partner with St. James' Settlement, The Boys' and Girls' Clubs Association of Hong Kong and Tung Wah Group of Hospitals, and collaborated for the first time with Aide et Action, Eco Association, Heep Hong Society, Oxfam Hong Kong and TREATS on community projects and activities. ✓ HKEx introduced employee volunteer leave in September 2010 to grant an additional day of paid leave per year to HKEx volunteers for their community service rendered. ↔ HKEx will continue to explore suitable partnership opportunities as part of our commitment to community investment.

Environment

To promote environmental protection among employees	<ul style="list-style-type: none"> ✓ An Environmental Poster Design Competition open to all employees and their family members was conducted in August 2010. Winning designs were made into posters for posting across HKEx's offices. ✓ In-house seminars on climate change were delivered by Friends of the Earth (HK) to over 180 employees. ✓ A beach cleaning event open to all employees and their family members was organised. ↔ HKEx will continue to organise suitable training and awareness raising activities to promote environmental protection among employees.
To develop and implement measures to improve our office environmental performance	<ul style="list-style-type: none"> ✓ A waste audit was conducted across our 6 offices to obtain more comprehensive information on the composition and quantities of waste being generated in order to formulate a company-wide waste reduction strategy and to raise awareness of waste reduction through the dissemination of such information. ✓ The CSR Manual sets out procedures to carry out regular office environmental inspections, and contains environmental guidelines for energy use, resource use, waste management, water conservation and business travel. ✓ A comprehensive list of environmental specifications for products and services is included in the CSR Manual for our employees to consider when preparing tender invitation documents. ! We plan to join the Wastewi\$e Label scheme under the Hong Kong Awards for Environmental Excellence in 2011.

In 2009, we began to set annual KPIs under each CSR cornerstone with the aim of transforming our CSR vision into measurable targets. Our achievement in 2010 against these KPIs is set out below. Going forward, we will continue to report on these KPIs in the 'CSR Key Performance Statistics'  section under the respective CSR cornerstones.

Key Performance Indicators	Target for 2010	2010 Performance
Market systems reliability		
Operational system uptime for all major trading, clearing and settlement, and market data dissemination systems	Maintain 100% operational system uptime	✓ All systems continued to perform robustly and reliably
Investment in employees		
Training costs	Progressively increase the training budget to \$8 million	✓ \$8 million training budget was allocated with \$4.4 million spent
Average hours of training per employee	Maintain between 15 and 25 hours	↑ 27 hours
Equal opportunities		
Percentage of women employed at senior level	Maintain at about 29%	✓ 28%
Occupational health and safety		
Lost day rate	Maintain at most 0.2	✓ 0
Absentee rate	Maintain at most 1%	✓ 0.9%
Charitable donation		
Total donation amount	Maintain at about \$0.8 million*	↑ \$1.3 million donated
Volunteer effort		
Average service hours per HKEx volunteer	Maintain between 15 and 25 hours	✓ 21 hours
Carbon footprint		
GHG emissions	A reduction of 2%	↑ A reduction of 12%
Energy consumption		
Electricity used for office equipment and lighting across all offices and air-conditioning controlled by HKEx	A reduction of 2%	↑ A reduction of 7.5%
Paper consumption		
Paper used for office printing and copying	A reduction of 5%	↓ An increase of 6% largely due to increased business initiatives, however, total paper used, including paper for printing HKEx's publication, decreased by 17%

* The Board approved an increase in the annual donation budget in June 2010.

- ✓ On target
- ↑ Exceeded target
- ↓ Target not met

CSR Key Performance Statistics

	Year ended/As at 31 December				
	2010	2009	2008	2007	2006
Marketplace Indicators					
Economic Performance (\$ million)					
Revenue and other income ¹	7,566	7,035	7,549	8,602	4,174
Operating expenses ²	1,612	1,493	1,621	1,412	1,211
Employee compensation ³	887	789	799	823	651
Dividends and interest borrowings	4,520	4,226	4,607	5,548	2,267
Taxation ⁴	924	839	823	1,013	458
Total assets	47,884	45,332	62,822	87,954	40,661
Shareholders' funds ⁵	8,677	8,027	7,294	8,376	5,257
Market Activities					
Average daily turnover value on the Stock Exchange (\$ billion)	69.1	62.3	72.1	88.1	33.9
Average daily number of derivatives contracts traded on the Futures Exchange	221,487	206,458	207,052	171,440	100,318
Average daily number of stock options contracts traded on the Stock Exchange	246,474	191,676	225,074	187,686	73,390
Workplace Indicators					
Total Workforce	883	850	865	837	828
By employment type					
Permanent	866	841	848	805	793
Temporary	17	9	17	32	35
By region					
Hong Kong	870	840	855	829	820
Outside Hong Kong	13	10	10	8	8
Employee Turnover Rate (%)	9	5	9	14	13
Employee Turnover	78	39	76	117	104
By gender					
Male	42	22	39	65	58
Female	36	17	37	52	46
By age group					
Below 30	15	17	30	44	41
30 to 39	25	11	24	50	40
40 to 49	25	7	15	18	18
50 to 59	5	3	3	4	5
60 or above	8	1	4	1	0
Diversity by Gender (%)					
Male	53	52	53	52	53
Female	47	48	47	48	47
Diversity by Age (%)					
Below 30	13	12	14	–	–
30 to 39	37	38	40	–	–
40 to 49	40	40	37	–	–
50 to 59	10	9	8	–	–
60 or above	0	1	1	–	–

	Year ended/As at 31 December				
	2010	2009	2008	2007	2006
Diversity by Race (%)					
Chinese	98	98	98	–	–
Non-Chinese	2	2	2	–	–
% of senior management employees hired from the local community	95	90	–	–	–
Training Indicators					
Staff training expenses (\$ million)	4.4	4.8	3.8	–	–
No. of employees attended external training	299	272	282	–	–
No. of employees attended internal training	773	837	741	–	–
No. of employees undertook e-learning	157	114	311	–	–
Human Rights Training					
No. of hours of human rights training delivered	311	42	–	–	–
% of employees trained	16	5	–	–	–
% of security personnel trained	50	50	–	–	–
All Types of Training					
Average hours of training per employee by level					
Senior	18	22	23	20	18
Middle-level	26	33	37	31	36
Supervisory-level	32	37	28	27	36
General	23	22	17	19	25
Health & Safety Indicators					
No. of reportable injuries	0	2	–	–	–
No. of reportable occupational diseases	0	0	–	–	–
No. of lost days	0	2	–	–	–
Occupational disease rate	0	0	–	–	–
Occupational injury rate	0	0.2	–	–	–
Lost day rate	0	0.2	–	–	–
Absentee rate (%)	0.9	1	–	–	–
Community Indicators					
Community Investment made (\$'000)					
Corporate charitable donations ⁶	1,298	756	696	425	209
Employee charitable donations	262	393	386	155	202
Corporate sponsorships ⁷	2,825	1,767	–	–	–
Stock Code Balloting for Charity Scheme					
Donation through the Scheme (\$ million)	70	50	27	64	40
No. of participating companies	70	50	27	66	44
HKEx Volunteer Team					
No. of Volunteer Team members	144	124	94	72	62
No. of volunteer hours	2,998	3,282	1,404	427	613

	unit	Year ended/As at 31 December				
		2010	2009	2008	2007	2006
Environmental Indicators						
GHG Emissions (CO₂ equivalent)						
Direct sources ⁸						
Corporate fleet	tonnes	21	26	26	–	–
Refrigerants ⁹	tonnes	411	1,098	–	–	–
Indirect sources						
Electricity ^{8, 10}	tonnes	9,439	10,210	10,239	–	–
Business travel ¹¹	tonnes	217	130	234	–	–
Paper consumption ¹²	tonnes	41	39	51	–	–
Total	tonnes	10,129	11,503	10,550	–	–
GHG Emissions Avoided (CO₂ equivalent)						
By recycling of paper ^{8, 13}	tonnes	(1,143)	(767)	(956)	–	–
Resources Consumption						
Electricity ¹⁰	kWh (million)	11.2	12.2	12.3	–	–
Unleaded petrol	litres	5,682	7,591	4,641	–	–
Diesel	litres	2,149	2,106	4,918	–	–
Office paper	tonnes	53	50	65	–	–
Paper for printing publication	tonnes	39	61	–	–	–
FSC certified/recycled paper used	%	82	91	–	–	–
Waste Collected for Recycling						
Paper ¹⁴	tonnes	238	160	200	–	–
Plastics	pieces	3,756	1,428	114	–	–
Metals	pieces	3,630	1,496	129	–	–
IT equipment ¹⁵	pieces	1,188	302	342	–	–
Electronic equipment	pieces	118	19	25	–	–
Waste Disposed to Landfill						
General office waste	tonnes	74	–	–	–	–
Environmental Protection Expenditures and Investments						
Improvement works	\$ million	0.4	0.5	–	–	–
Management and review costs	\$ million	0.3	0.4	–	–	–

- not available
- 1 Revenue and other income generated from Hong Kong and included gain on disposal of an associate for the year ended 2007, share of profit less losses of associates for the year ended 2006 and 2007, and gain on disposal of properties for the year ended 2008.
- 2 Operating expenses attributable to HKEx's operations in Hong Kong.
- 3 Employee compensation excluded training costs.
- 4 The figures reported were computed in accordance with the GRI G3 Guidelines and are different from those reported in the annual report which included, inter alia, deferred taxation.
- 5 HKEx's gearing ratio was zero as at 31 December.
- 6 The figures reported are different from those reported in the annual report which included donations recognised for accounting purposes only. Excluded donations of \$10 million in 2008 and \$1 million in 2010 to support disaster relief efforts in the Sichuan earthquake and Qinghai earthquake respectively.
- 7 The 2009 figure included HKEx's committed sponsorships under the annual sponsorship budget only.
- 8 Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (EMSD and EPD, 2010) were used for the accounting and calculation of emissions and emissions avoided.
- 9 The GWPs used for calculating the emission figure were sourced from the latest available data from the IPCC where appropriate.
- 10 The electricity consumption included the air-conditioning supply in all data centres and the Exchange Square premises only. The air-conditioning supply in other office premises was centrally managed by the building landlords. The purchased electricity was primarily generated from coal and natural gas combustion conducted by our electricity provider.
- 11 The ICAO Carbon Emissions Calculator, GHG Protocol (WBCSD and WRI) and emission factors from Defra, the UK were used for the calculation of emissions.
- 12 The Vfu Standard was used for the calculation of emissions.
- 13 Included the recycling of confidential waste paper.
- 14 Included confidential paper generated within HKEx and documents submitted by external parties containing sensitive information.
- 15 The 2010 figure included 370 pieces of IT equipment which were donated for reuse.

Awards and Recognitions in 2010

Award/Recognition	Organiser
A constituent company in the FTSE4Good Index Series since 2005	FTSE International Limited
A constituent company of the Hang Seng Corporate Sustainability Index Series since July 2010	Hang Seng Indexes Company Limited
A component stock in the Dow Jones Sustainability Asia Pacific Index since September 2010	SAM Indexes GmbH
CG Watch 2010 – Corporate Governance in Asia: Ranked first among the large-cap companies in Asia for corporate governance performance	CLSA Asia-Pacific Markets and Asian Corporate Governance Association
Corporate Governance Asia Recognition Award 2010	Corporate Governance Asia
Corporate Governance Ratings (highest rating: 10): Overall Global Rating: 8.0 Overall Home Market Rating: 10.0	GovernanceMetrics International Inc
Best Corporate Governance Disclosure Awards: 2009 Annual Report – Platinum Award (HSI Category)	HKICPA
Best Annual Reports Awards: 2009 Annual Report – Best Report Award	The Hong Kong Management Association
The Asian Banker Achievement Awards for Markets and Exchanges 2009: The Exchange of the Year	The Asian Banker
Most Proactive Exchange for ETF Derivatives/Options and Most Informative ETF Website in the Asia Pacific region	Exchangetradedfunds.com
Asia's Best Companies 2010 poll results: Best Corporate Governance (Hong Kong) Best Investor Relations (Hong Kong) Most Committed to a Strong Dividend Policy (Hong Kong)	FinanceAsia
5 Years Plus Caring Company Logo	Hong Kong Council of Social Service
One of the CSR leaders among the HSI constituent companies in the CSR Survey of HSI Constituent Companies 2009 Oxfam China Development Fund Campaign (Oxfam Rice Sale) and Oxfam Corporate Donor Programme 2009-2010: Highest Fundraising Award (Corporates) – Gold Award Highest Participation Award (Corporates) – Silver Award Highest Fundraising Award (Sponsoring Organisation) – Bronze Award Oxfam Corporate Donor Excellence Award	Oxfam Hong Kong
Corporate and Employee Contribution Programme 2009/2010: Bronze Award Special Thanks Honour: For providing a fundraising platform, Stock Code Balloting for Charity Scheme, for companies to invest in Hong Kong's social welfare when they first listed on the Exchange	The Community Chest of Hong Kong
IAQ Certification Excellent Class achieved for offices at Exchange Square and PCCW Tower Good Class achieved for offices at Infinitus Plaza (formerly Vicwood Plaza), One International Finance Centre, Worldwide House and Chinachem Exchange Square	EPD





Governance and Management

HKEx's Commitment

As an exchange controller governed by the SFO, HKEx is committed to playing a pivotal role in promoting and enhancing corporate governance in Hong Kong. This is being done by continuously taking steps to bring the local corporate governance regime on a par with the best and most updated international standards and practices so as to ensure fair, transparent and orderly markets for trading securities and futures contracts, as well as Hong Kong's competitiveness as an international financial centre.

As a listed company, HKEx is committed to pursuing the best corporate governance practices by adopting and complying, where appropriate, with the established rules, codes, guidelines and recommendations to safeguard our stakeholders' interests, including to protect and facilitate the exercise of shareholders' rights. HKEx's established corporate governance structure provides a framework to enhance our accountability, transparency, fairness and integrity, and to ensure that an appropriate management structure and effective systems of control are in place.

Recognising our dual responsibilities and the potential conflicts of interest that may arise, a number of conflict management measures have been undertaken, including, inter alia, the entering into an MOU with the SFC, the addition of Chapter 30 to the Main Board Listing Rules, and the establishment of a Conflict Committee.

This section contains brief information on HKEx's corporate governance principles and practices as a listed company and the 'Marketplace'  section includes our efforts in promoting corporate governance in the marketplace. More details are available on the HKEx website  and in the Corporate Governance Report of HKEx's 2010 Annual Report.

Governance Structure

The unitary Board is the highest governance body which bears the ultimate responsibility for HKEx's performance. The composition of the Board, which consists of only 1 executive director, who is also the Chief Executive, and 12 INEDs, including the Chairman, as governed by Article 90 of HKEx's Articles of Association and Section 77 of the SFO, is designed to ensure that there is a proper balance between public and corporate interests, and to avoid concentration of power and control.

A total of 8 advisory committees have been established by the Board to perform specific roles and responsibilities, namely, the Audit Committee, CSR Committee, Executive Committee, Investment Advisory Committee, Nomination Committee, Panel Member Nomination Committee, Remuneration Committee and Risk Management Committee (a statutory committee). In addition, the Senior Management Committee decides on operational matters under authority delegated by the Board.

“In October 2010, HKEx, in line with the international best practice, commissioned an external consultant to carry out an independent Board Performance Evaluation (BPE) with the aim of assessing whether the Board, the committees and their members have performed their roles effectively and fulfilled their responsibilities, and identify areas for improvement. Moreover, BPE is included in the SEHK's consultation paper on proposed changes to the CG Code and certain Listing Rules relating to corporate governance as a recommended best practice. Our decision to conduct a BPE demonstrates the Board's accountability towards shareholders and our commitment to pursue best corporate governance practices and set an example to other listed companies in Hong Kong.”

– MAU Kam Shing, Joseph, Company Secretary and member of the CSR Committee



Responsible Conduct

The Guidelines on Conduct as set out in the Director's Handbook and the Code of Conduct as set out in the Human Resources Manual provide guidance on the ethical and legal responsibilities of HKEx's Directors and employees respectively. All Directors are obliged to observe all the relevant requirements of the Main Board Listing Rules and applicable laws and regulations. With regard to the conduct on securities dealings, HKEx has adopted the Model Code and requires all Directors to confirm their compliance with the Model Code throughout each financial year. The Code of Conduct is no less stringent than the Model Code and is periodically updated to reflect the prevailing statutory and regulatory requirements. Any non-compliance with the Code of Conduct may result in summary dismissal. The Human Resources Manual sets out our whistle-blowing policy which aims to facilitate internal reporting of employees' misconduct. No whistle-blowing incidents were reported in 2010.

All HKEx's employees (including the INEDs) are regarded as public servants and are subject to the Prevention of Bribery Ordinance as HKEx is one of the Public Bodies governed by the Ordinance. Seminars on integrity and corruption prevention conducted by the ICAC are organised regularly to ensure that all employees, particularly new joiners, are familiar with the relevant laws and regulatory requirements, and other requirements specific to HKEx as set out in the Code of Conduct. During 2010, 12% of management employees and 12% of non-management employees received training on anti-corruption (as at 31 December 2010, 80% of management employees and 74% of non-management employees had received such training).

The Code of Conduct contains guidelines on personal data protection in compliance with the Personal Data (Privacy) Ordinance. HKEx's Personal Information Collection and Privacy Policy Statement, which upholds the principles of the Personal Data (Privacy) Ordinance, is issued to external parties from whom we collect personal data.

Compliance with the CG Code

A compliance checklist summarises HKEx's compliance with the provisions under the CG Code and highlights some practices that exceed the CG Code requirements. In 2010, HKEx fully complied with the CG Code, except that the Government Appointed Directors and the Chief Executive in his capacity as a Director are not subject to the election or re-election by shareholders as their appointments are respectively governed by Section 77 of the SFO and HKEx's Articles of Association.

Risk Management

Risk management is an essential part of our corporate governance process. The Risk Management Committee, a statutory committee established by the Board pursuant to the SFO, has the responsibility to oversee the policies on risk management matters relating to HKEx, SEHK and HKFE and their respective clearing houses. The Risk Management Division is responsible for supervising the risk management functions concerning the cash clearing and derivatives clearing services, as well as enterprise risk management and market surveillance. HKEx has an established Enterprise Risk Management Framework to address risks of varying nature.

The framework comprises processes for the identification, assessment, scoring and management of risks that are embedded into the operations across the organisation, as well as a comprehensive risk governance structure. Risk identification is conducted regularly to reflect possible changes in business objectives and the operating environment. Identified risks will be assessed and scored based on the likelihood of occurrence and severity of the potential impact. Assessment of potential impact is not only from a financial perspective but also from others such as legal/compliance, operational, reputational and strategic. With reference to the risk score, the appropriate risk response will be determined based on predefined risk scoring scales applicable to likelihood and impact assessments by management. Risk governance is underpinned by a comprehensive risk oversight structure that establishes different levels of reporting and escalation procedures commensurate with the risk scores.

More details of HKEx's risk management initiatives in 2010 are available in the Business Review section of HKEx's 2010 Annual Report.

The Internal Audit Department performs assessment of the risks inherent in particular business or functional areas, including fraud or corruption risk, and conducts reviews or audits to provide reasonable assurance that adequate governance and controls are in place to address such risks.

CSR Governance

At HKEx, CSR is overseen by the CSR Committee, which is authorised by the Board to formulate advices on CSR policies, plans and practices and to decide on CSR-related matters. The CSR Committee comprises senior executives from various functions and is chaired by the Chief Executive, who reports HKEx's CSR performance to the Board on a monthly basis and presents CSR issues for consideration at Board meetings where appropriate. A CSR Policy was established in January 2010 to guide our business and operational decisions to take into account our responsibility to the marketplace, workplace, community and environment. The CSR Working Group, which was also established in January 2010 and comprises CSR Coordinators from each Division and Department within HKEx, is primarily responsible for operating and maintaining the CSRMS and promoting CSR awareness within their respective Divisions or Departments.

CSR Management System

Building on our CSR governance structure, a CSRMS comprising implementation procedures, CSR guidelines and management system documents was developed and adopted during 2010 to further strengthen our management of CSR performance and CSR impacts arising from our business operations. The CSRMS was developed with reference to ISO 26000:2010 Guidance on Social Responsibility and ISO 14001:2004 Environmental Management Systems standard, and comprises a supply chain management system to address the significant social and environmental impacts arising from HKEx's key suppliers. Accordingly, a CSR Manual which defines the CSRMS and provides managerial direction and technical guidance for the implementation of CSR best practices was established and made available on the HKEx Intranet. The CSR Manual will be reviewed and revised by the CSR Working Group where and when necessary to support the on-going development of HKEx's CSR commitment and initiatives in the changing business environment. Specific training on the implementation of the CSRMS was provided to the CSR Working Group and other representatives of each Division and Department.

Supply Chain Management

Based on the location and nature of our business, we acquire the majority of goods and services from suppliers and service providers in Hong Kong except when the goods and services are not available locally, eg, trading and clearing systems developed specifically for exchanges and clearing houses and the related license and maintenance fees. We do not have a policy of preferring locally-based suppliers but our procurement guidelines stipulate that the selection of suppliers should take consideration of, but not limited to, price competitiveness, quality, fulfilment of specifications and logistics services.

During the year, we developed a set of guidelines for SCM which form part of the CSRMS to help address CSR issues in our supply chain more systematically and engage our key suppliers to promote socially responsible behaviour. The guidelines advocate the collection of CSR information from potential suppliers during the tendering process, including environmental specifications for products and services in the tender invitation documents whenever applicable and economically viable, and require our key suppliers to comply with basic CSR requirements according to our Corporate Suppliers Policy Statement and Supplier CSR Code of Conduct where possible and appropriate when doing business with HKEx. A CSR briefing was organised in February 2011 for HKEx's key suppliers to facilitate the implementation of the SCM system.

Stakeholder Engagement

“Stakeholder engagement is not only an essential part of our corporate governance process as stakeholders can influence, direct and sometimes control the development and management of our business, but it is also embedded in our CSR process as it provides opportunities to further align our business practices with societal needs and expectations, helping to drive sustainability. At HKEx, stakeholder engagement is about developing relationships with our stakeholders for mutual benefit. Whether it is in relation to a new business initiative, an internal operational change or a market-wide concern, we engage with our stakeholders in order to assess opportunities and threats, identify existing or potential conflicts of interest, decide on the appropriate actions to take and monitor progress and impact.

Market consultation is an important stakeholder engagement activity which facilitates our decision-making. For instance, in the consideration of extending the trading hours of our securities and derivatives markets, although we believe that extending the trading hours is in the interest of Hong Kong as an international financial centre and is a strategic move for HKEx to remain competitive in the region, we invited market views and carefully considered the responses to avoid unexpected consequences or adverse market impact. Analysing over 550 consultation responses from a wide spectrum of stakeholders, such as HKEx Participants, the brokerage industry, listed companies, the banking industry, etc., and deciding on the best option going forward was by no means an easy task, but the process was invaluable in helping us to appreciate the specific needs and concerns of those who would be affected by our proposal. We will continue to work closely with our stakeholders to ensure market readiness and to maintain harmonious and effective working relationships throughout the implementation process, which will occur in two phases beginning in March 2011.”

– LI Xiaojia, Charles, Chief Executive and Chairman of the CSR Committee

We engage with a range of stakeholders to build participative, collaborative and informative relationships that are integral to our business success and our commitment to sustainable development. We adopt a systematic process which involves identifying our stakeholders, prioritising them by strategic importance, issue and category, and determining the appropriate engagement approach based on our engagement objectives and their level of interest and influence. The exchanges and outcomes of our engagement activities are recorded, reviewed and reported publicly where appropriate, for accountability and transparency purposes.

The key stakeholder engagement activities conducted during 2010 are set out below. More details about our major stakeholder groups and engagement practices are available on the HKEx website [👉](#).

Employees

HKEx considers its employees to be its greatest asset and building understanding and trust through effective employee engagement is a corporate responsibility. Our orientation programme for new recruits and regular in-house seminars for all employees convey our company values and rules, and employees’ rights and obligations. Offsite meetings, monthly executive forums and quarterly employee briefings by the Chief Executive are informative and interactive channels for communicating the latest development of our strategic plan, business and operational changes, and financial results. The annual performance appraisal facilitates discussion of professional and personal development goals and the continual improvement of performance. The HKEx Staff Social Club and HKEx Volunteer Team organise a variety of activities on a regular basis which are opportunities for employees to get involved and build team collaboration.



Members of the Board, senior executives and members of the HKEx Volunteer Team participated in the Oxfam Rice Sale at HKEx’s Trading Hall and offices.

Shareholders

We have a duty to create and deliver sustainable value to our shareholders while maintaining a relationship of trust and confidence with them. Under our dividend policy, we are committed to providing shareholders with regular dividends with a target payout ratio of 90% of the profit of the year. In addition, we are committed to reporting our performance and other matters of concern fully, accurately and on a timely basis to our shareholders through a number of channels.

Aside from publishing our quarterly, interim and annual reports and our quarterly newsletter *Exchange*, updated corporate information is posted on the HKEx website, and circulars and announcements issued under the Main Board Listing Rules are promptly posted on the HKExnews website as well as the HKEx website. The Annual General Meeting provides a forum for shareholders to raise questions about the performance of the Board and HKEx. In 2010, we arranged webcast in 3 languages for HKEx's annual and interim results announcement to engage a wider audience.

EPs (including custodian participants, CPs and IPs)

EPs act as intermediaries for the distribution of our products and services. Engagement with EPs enables HKEx to access their market expertise to enhance our products and services, market development, and risk management measures as well as to further facilitate EPs' operations, eg, the introduction of automated stamp duty reporting and payment. Our engagement approach entails conducting market consultations, consultative panel meetings and seminars, issuing newsletters, and direct communication throughout the year.

IVs

IVs distribute a wide range of market data from our market data systems, therefore we ensure that our latest corporate initiatives and technical updates are well communicated to them and that their views and requirements are well understood. Our engagement approach entails conducting regular meetings and seminars, and issuing IV notices. We also carry out an annual inspection programme to ensure their compliance with contractual requirements.

In response to IVs' request to extend the pilot programme of the Free Prices Website Service to all IVs, we completed a review of the pilot programme and decided to extend a re-packaged Basic Market Prices Service to HKEx licensed IVs beginning 1 April 2011. In addition, in response to IVs' expressed concerns over the scale and timeline of the upgrade of MDS scheduled for completion by the end of 2011, we issued an information paper [in](#) in October 2010, a year ahead of the upgrade, to provide detailed description of the scope of enhancements and implementation.

HKEx's Regulator

The SFC is a statutory regulator of the securities and futures markets in Hong Kong, and the regulator of HKEx pursuant to the MOU. It shall take all actions and make all decisions in relation to HKEx as a listed company that would normally be taken by SEHK in respect of other listed companies. Monthly liaison meetings and regular verbal and written communications with the SFC are carried out to review systemic and policy issues concerning the stability of the Hong Kong financial markets and to seek SFC's views and approval of listing, regulatory and operational matters. We also issue a monthly report to the SFC covering transactions, policy matters, complaints and press articles, and facilitate the SFC's annual review of the Exchange's performance in its regulation of listing matters.

The Exchange and the SFC work closely together on policy matters that are of common interest. In March 2010, we jointly conducted soft consultations on the property valuation requirements of the Listing Rules. Between August and November 2010, we formed a joint working group for the initiative to raise investors' awareness of synthetic ETFs. Moreover, SFC leads the working group to discuss the operational model for a scripless securities market in Hong Kong, and together with HKEx and the Federation of Share Registrars Limited, issued the consultation conclusions on the proposed model. Consultation papers and conclusions issued by HKEx and amendments to HKEx's rules and regulations are discussed with and ultimately approved by the SFC.

Listed/Potential Issuers

We engage with listed issuers to ensure their understanding of the Listing Rules and recent amendments and to resolve the practical issues or problems in complying with the Listing Rules. We engage with potential issuers to facilitate their understanding of the benefits and technical issues related to listing in Hong Kong.

In 2010, we organised a total of 11 free seminars on the amendments to the Listing Rules in Hong Kong and Beijing, which had over 1,850 participants from issuers and market practitioners. In addition, we held 9 Meet and Greet sessions and 27 briefings to build rapport with issuer representatives and market practitioners and to promote market quality and self-compliance with the Listing Rules. We considered the opinions and suggestions raised by issuers when preparing market consultation papers and amending the Listing Rules, if appropriate, eg, changes to the connected transactions rules and

requirements for circulars and listing documents of listed issuers. Through industry associations and direct communications, we sought issuers' views on the demand for investor relations services which were addressed in our study and proposal on the potential offering of value-added issuer services. Our on-going engagement with potential overseas issuers facilitated the listing of the first French and first Russian companies on the Exchange in 2010.

General Public (in particular the investing public and media)

We have the responsibility to explain HKEx's strategies, policies, initiatives and progress to the public, in particular the investing public, and to promote financial literacy so as to facilitate investors to make informed investment decisions.

During 2010, we accommodated over 28,200 visitors, both local and overseas, to the Exchange Exhibition Hall and provided them with the latest information about HKEx and the development of the securities and futures markets in Hong Kong. The revamped HKEx website was launched in March 2010 to provide a more convenient and effective channel for the public to access up-to-date market data and information about our products, services and latest initiatives. We worked with the news media to arrange over 140 media interviews and events, including the annual media luncheon and media/analyst briefings on HKEx's interim and annual results, with the aim of promoting efficient and transparent communication to the general public.

Details of the activities to raise awareness of financial stability in the marketplace are set out in the 'Marketplace'  section.



Ronald Arculli, Chairman (left), at the listing ceremony of United Company RUSAL Plc, the first Russian company listed in Hong Kong.



Charles Li, Chief Executive (second from left), led other HKEx's senior executives in a discussion with representatives from the Shanghai Stock Exchange on increased cooperation.



Mainland and Overseas Stock Exchanges and Regulators

HKEx actively engages with the Mainland and overseas stock exchanges and regulators to foster collaborative relationships, exchange market knowledge, and provide support for the listing of overseas enterprises in Hong Kong.

Under the signed agreement on closer cooperation with the Shanghai Stock Exchange (SSE), we engaged in dialogues with the SSE during the year to discuss arrangements for future exchanges and trading suspension issues relating to A+H issuers. To promote cooperation and the exchange of information with other overseas stock exchanges, HKEx separately signed a MOU with the Korea Exchange and the Hanoi Stock Exchange. In addition, a MOU was signed between HKEx and BM&FBOVESPA in relation to the dual listing of Vale S.A.

Government (including the FSTB and Legislative Council)

The Government plays a critical role in regulating and determining major policy direction for the financial markets in which we operate. To ensure the stability and the sustainable development of the Hong Kong financial markets, we maintain regular direct communications with the Government, particularly on systemic or regulatory issues, hold bi-monthly tripartite meetings with the FSTB and the SFC, and promptly respond to the Legislative Council's enquiries on listing matters.

In 2010, we participated in the FSTB's market contingency rehearsal exercise. In addition, we, as invited by FSTB, provided our views on the comments from the public consultation issued by the FSTB on the proposed statutory codification of the continuing disclosure requirements on price sensitive information and contributed to the development of the new statutory framework for securities market regulation.

Non-governmental Organisations and Professional Bodies

We engage with various non-governmental organisations and professional bodies throughout the year on external and HKEx-led initiatives related to listing matters, corporate governance and sustainable development.

The Stock Exchange worked with the HKICPA to develop Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", the purpose of which is to provide guidance to auditors and listed issuers on their respective responsibilities and to promote consistency in annual reporting. The Stock Exchange also worked closely with the HKICPA, along with Mainland authorities and Hong Kong regulators, on a new framework which allows Mainland incorporated listed issuers to prepare their financial statements using Mainland accounting standards and have them audited by endorsed Mainland audit firms using Mainland auditing standards. This would increase market efficiency and reduce compliance costs of Mainland incorporated companies listed in Hong Kong.

We participated in discussions initiated by the GRI on the best business case for sustainability reporting in Hong Kong and directly sought GRI's advice on the development of the ESG Guide for listed companies. We responded to a number of surveys, reports and enquiries made by responsible investment/corporate governance research professionals, such as the Carbon Disclosure Project 2010, RepuTex ESG Research (for the Hang Seng Corporate Sustainability Index Series), the consultation survey on the integration of sustainability reporting into mainstream corporate reporting conducted by The Prince's Accounting for Sustainability Project, and the ISS' annual corporate governance policy formulation process.

Details of our engagement with charitable organisations on community development projects are set out in the 'Community'  section.

Membership in Organisations

HKEx is member of various local and international industry groups and associations and its involvement includes holding positions in governance bodies, participating in projects or committees, providing funding, and developing strategic partnerships. HKEx's key memberships and involvement are set out below.

Organisation	HKEx's role and major involvement
Asia Pacific Central Securities Depository Group (ACG)	HKSCC is a founding member of ACG and plays an important role in promoting the exchange and sharing information among member securities depositories and clearing organisations in the Asia Pacific region. HKSCC participated in the 12th ACG Cross Training Seminar held in Shanghai in September 2010 and attended the 14th General Meeting held in India in December 2010.
Asian and Oceanian Stock Exchanges Federation (AOSEF)	HKEx is a member of AOSEF and participates in the General Assembly and Working Committee.
Financial Reporting Council	One of our Directors has been nominated to represent HKEx as a member of the FRC. In supporting the FRC's establishment and operations, HKEx has made an annual contribution to the FRC since 2007 and is committed to continuing its annual contribution until 2014.
The Global Association of Central Counterparties (CCP 12)	HKEx is a member of CCP 12 and participates in CCP 12's Executive Committee.
Hong Kong Securities Institute	HKEx is represented on the HKSI Board and HKEx's senior executives frequently speak at CPT seminars and other market education activities organised by the HKSI.
Intermarket Surveillance Group (ISG)	HKEx is a member of the ISG and has a strong track record of cooperation with the ISG representatives and compliance with its principles.
Software & Information Industry Association (SIIA)	HKEx is a member of the Financial Information Services Division of SIIA and was the co-host sponsor of the Asia Pacific Financial Information Conference held in Hong Kong in October 2010.
World Federation of Exchanges	HKEx's Chairman has served as the Chairman of the WFE since October 2010. HKEx is represented in the WFE Working Committee and hosted the WFE Board of Directors' meeting in Hong Kong in May 2010.

Marketplace



- Maintained **robustly and reliably** all our major trading, clearing and settlement, and market data dissemination systems
- Co-organised a high-level finance forum at Expo 2010 Shanghai to promote the development of stronger links between the Hong Kong, Mainland and other global financial markets, which was attended by about **400 participants**
- Over **1,850 participants** from listed issuers and market practitioners attended HKEx's free seminars held in Hong Kong and Beijing to learn about recent amendments to the Listing Rules
- Generated a total stamp duty of about **\$23 billion** for the Government in respect of all securities transactions subject to stamp duty and recognised by the Exchange in 2010

Our CSR objectives in respect of marketplace include achieving and maintaining the highest standards of openness, probity and accountability to help develop sustainable financial markets in Hong Kong for our global investors and issuers, creating sustainable value for our shareholders, and engaging supply chains that reflect our values and commitment.

Maintain Fair, Transparent and Orderly Markets

Pursuant to the MOU signed with the SFC on matters relating to market surveillance, HKEx referred 28 cases to the SFC in 2010 for it to conduct the appropriate enquiries or investigations. In addition, we have continued to support the FRC by making a contribution of \$4 million to the independent statutory body which was established for the purposes of handling complaints and conducting investigations into auditing irregularities and non-compliance with financial reporting requirements of listed entities. HKEx has contributed a total of \$16.5 million to the FRC since 2007.

As part of our commitment to prudent risk management, we completed a market contingency rehearsal exercise with no exception noted, implemented enhanced derivatives clearing risk management measures, and have begun a review of the cash clearing risk management measures and the capital adequacy and liquidity access of the clearing houses. HKEx is also committed to playing an active and leading role in setting and articulating corporate governance standards in the marketplace so as to secure market confidence and protect investors. We completed the fourth review of listed issuers' corporate governance practices which analysed the corporate governance disclosure in the 2009 annual reports of a representative sample of 132 issuers in Hong Kong. The purpose of the review was to determine the effectiveness of the implementation of the CG Code in the Listing Rules. The review findings are available on the HKEx website [www.hkex.com.hk](#) and were used in our review of the CG Code and formulation of proposed enhancements to align with international standards. A market consultation on the proposed enhancements is currently underway.

Details of HKEx's governance structure, framework and practices are set out in the HKEx website [www.hkex.com.hk](#) and the latest developments in our corporate governance practices are set out in the Corporate Governance Report of HKEx's 2010 Annual Report.

Maintain the Reliability, Availability and Stability of Market Systems



To maintain the reliability, availability and stability of all major trading, clearing and settlement, and market data dissemination systems is of paramount importance for reinforcing investors' confidence in the Hong Kong financial markets. Other than periodical technology and capacity upgrades, assessments by independent consultants, market rehearsals and business recovery drills, HKEx is developing the NGDC at Tseung Kwan O Industrial Estate with completion scheduled for 2013. The NGDC would host the primary systems and support the launch of the low-latency co-location services for EPs and IT vendors. The NGDC is targeted to meet top-level Tier 4 data centre requirements and the LEED Gold standard, which is part of an internationally recognised green building certification system.

More details of our IT development are set out in the Business Review section of HKEx's 2010 Annual Report.

Enhance Product and Service Quality and Streamline Processes

We are committed to providing quality products and services and streamlining processes in response to market changes and customer needs. Some of the major accomplishments in 2010 are as follows:

- Review of the Listing Rules to ensure that they address developments in the market and international best practice and represent acceptable standards which help promote investor confidence
- Launch of new tools to enable investors to hedge dividend risk
- Introduction of a scripless securities market to enhance market efficiency
- Introduction of a T+2 Finality arrangement to reduce counterparty risk
- Extension of the Mainland Market Data Collaboration Programme to increase the transparency and distribution of market data


Further details of these initiatives and our marketing communications are set out in the Business Review section of HKEx's 2010 Annual Report. Public consultation is the key channel for soliciting stakeholders' views. Details of the consultation responses and conclusions , as well as information on HKEx's products and services  are available on the HKEx website.

Recognise and Capture Opportunities from Internationalisation of the RMB

HKEx proactively supports the internationalisation of the RMB, aiming to help strengthen and promote Hong Kong's role as the Mainland's offshore RMB centre and create sustainable value for a wide range of stakeholders. In collaboration with the Hong Kong Monetary Authority, Hong Kong Interbank Clearing Limited and Bank of China (Hong Kong) Limited, the clearing and settlement services for RMB transactions on CCASS was implemented in September 2010. More details of our initiatives in relation to the internationalisation of the RMB are set out in the Business Review section of HKEx's 2010 Annual Report.

Enhance Investor Education and Financial Literacy

Investor education and financial literacy is a key component of sustainable financial markets. Our Stock Market Information Donation Programme enables the public to view listed issuer documents and market information at a number of public libraries and universities and technical college libraries in Hong Kong. Educational and regulatory information is also available on the HKEx website to help investors better understand the market risks and facilitate their investment decision-making process. As at 31 December 2010, there were almost 2,000 subscribers to our Web Content Alert service who receive e-mail alerts for updates of various web content categories, such as updates to rules and guidance on listing matters, news releases and research materials. Moreover, HKEx regularly provides educational programmes on futures and options to EPs, conducts seminars and workshops for industry associations and retail investors, as well as provides speakers for HKSI's educational courses. Around 7,000 participants attended these events in 2010. Details of participant training and market education are set out in the Business Review section of HKEx's 2010 Annual Report.

In addition, we have enhanced the content of our Investment Service Centre  which aims to provide information and tools that can help individuals make informed investment decisions, including links to issuer websites and recent announcements.

Promote Sustainable Development and Financial Stability in the Marketplace

External initiatives and events

HKEx has continued to support local initiatives such as the Carbon Reduction Charter of EPD and the Hong Kong Corporate Social Responsibility Charter of Community Business, and actively participated in external events with the aim of promoting sustainable development and financial stability in the marketplace for which we provided sponsorship and speakers. The following is a summary of the key events participated in 2010.

Event	Objective	Organiser	HKEx's Role
Asian Financial Forum	To update market participants on the latest development of Hong Kong markets.	The Government and the Hong Kong Trade Development Council	Speaker
British Standards Institution (BSI) Technical Conference 2010 "Wrestling with Greenhouse Gases to Win Sustainability"	To promote the issue of and solutions for climate change.	BSI	Supporting organisation
Company Talk Series on CSR in Action: the Case of HKEx	To promote good CSR practices among university students.	The Hong Kong Polytechnic University	Speaker
Director of the Year Awards 2010	To promote good corporate governance in Hong Kong.	The Hong Kong Institute of Directors	Project partner

Event	Objective	Organiser	HKEx's Role
Climate Change Finance and Investment	To explore and facilitate international collaboration to address climate change issues.	The University of Edinburgh	Speaker
The Finance Forum – “Stronger Links, Strong Markets: Hong Kong, the Mainland and the World”, an official HKSAR programme for Expo 2010 Shanghai	To provide the latest government thinking and market views on developing stronger links and stronger markets between Hong Kong, the Mainland and the rest of the world.	The Government, Invest Hong Kong and HKEx	Co-organiser, sponsor and speaker
CSR Asia Summit 2010	To focus businesses in the Asia-Pacific region on strategic solutions for sustainability.	CSR Asia	Sponsor and speaker
Hong Kong Investment Funds Association (HKIFA) Annual Conference 2010	To examine key growth drivers in the coming decade for the asset management industry.	HKIFA	Supporting organisation
Carbon Disclosure Project Report launch for Asia ex-Japan 2010	To improve and promote carbon disclosure by Asian companies in support of the shift towards a low-carbon economy.	ASrIA	Sponsor and speaker
SFC Investment Triathlon 2010	To help investors understand financial investments and their risks.	SFC	Sponsor
The Hong Kong Society of Financial Analysts (HKSFA) University Investment Research Challenge 2010-2011	To promote investor education and best practices in equity financial research.	HKSFA	Sponsor
Corporate Governance Conference 2010	To promote disclosure and transparency in corporate governance.	HKICS	Sponsor
Hong Kong Economic Summit 2011	To strengthen and promote Hong Kong's role as an international financial centre.	Hong Kong Economic Journal and Metro Finance	Sponsor and speaker
Hong Kong Corporate Governance Excellence Awards 2010	To promote corporate governance in the financial sector.	The Chamber of Hong Kong Listed Companies	Supporting organisation

ESG reporting for listed companies

Recognising that it is our role as a market regulator to promote ESG practices and reporting among issuers, we are developing an ESG Guide for listed companies in Hong Kong based on the feedback to a soft consultation with listed issuers and professional associations completed in September 2010. SEHK will organise ESG reporting workshops for listed issuers based on a draft ESG Guide before publishing a consultation paper.

Responsible investment

Noting the growing investors' interest in responsible and sustainable investment asset classes, HKEx has provided a list of ETF managers to compilers of sustainability indices for them to explore any interest in launching ETFs on these indices for listing in Hong Kong.

In addition, as a company with an average amount of investment assets of over \$40 billion in 2010, HKEx has adopted key principles of the UNPRI as part of its Investment Policy and Guidelines:

- We regard ESG issues of companies which we invest in as important.
- When evaluating companies for investment, we will consider their ESG policies which we believe will affect their prospects.
- We will assess and consider the capabilities of external investment managers to incorporate ESG issues.
- We will encourage investment service providers such as brokers and research firms to integrate ESG factors into evolving research and analysis.

We endeavour to work with our investment service providers and other relevant stakeholders in implementing these principles going forward.

Workplace



- **\$4.4 million** was spent on employee training and the average hours of training per employee was **27 hours**
- **100% of eligible employees** participated in the annual performance appraisal exercise
- About **2,400 participants** took part in various types of activities organised by the HKEx Staff Social Club to promote work-life balance and team solidarity
- A **1:1 ratio** of basic salary of men to women for each of our employee categories has been maintained

At HKEx, we strive to build a sustainable workforce by creating a quality and supportive workplace that attracts and retains the best people and motivates them to perform to their full potential, caring about our employees' welfare and satisfaction, and strengthening team collaboration within the Company.

Create a Quality and Supportive Workplace

Fair, competitive and transparent reward and recognition

A comprehensive review of HKEx's compensation philosophy and programmes was conducted by an external consultant in 2010, from which recommendations were formulated to the Board for the 2010 pay review exercise. The review aimed to ensure that HKEx's compensation package is competitive with the market and is aligned with HKEx's performance in particular the implementation of the Strategic Plan 2010-2012. HKEx's minimum salary, converted into an hourly estimate, is higher than the statutory minimum wage rate which will become effective 1 May 2011.

Details of HKEx's remuneration packages for Board members and employees and HKEx's defined benefit plan obligations are set out respectively in the Remuneration Committee Report and Note 9 to the Consolidated Accounts of HKEx's 2010 Annual Report. Details of employee benefits are set out in the Human Resources Manual [👉](#).

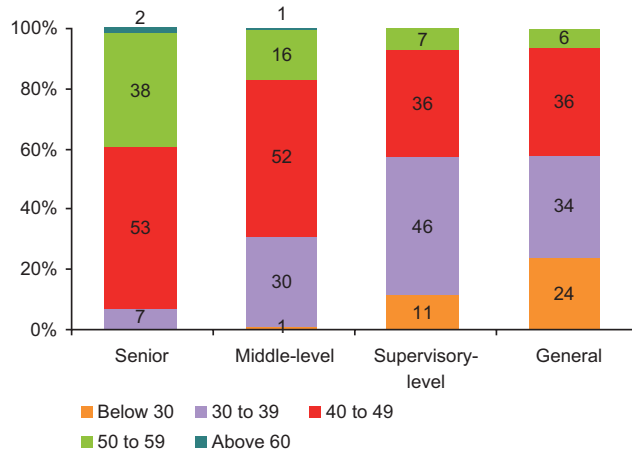
Human rights and equal opportunities

Although we consider that HKEx does not operate in circumstances and environments with high exposure to risk concerning human rights and we have not identified any operations that constitute risk to the right to exercise freedom of association or collective bargaining, nonetheless we are committed to protecting human rights in the workplace, as guided by internationally accepted principles such as those in the Universal Declaration of Human Rights and the Codes of Practice on Employment as promulgated by the Equal Opportunities Commission in Hong Kong. Our Equal Opportunities Policy is stipulated in the Human Resources Manual [👉](#).

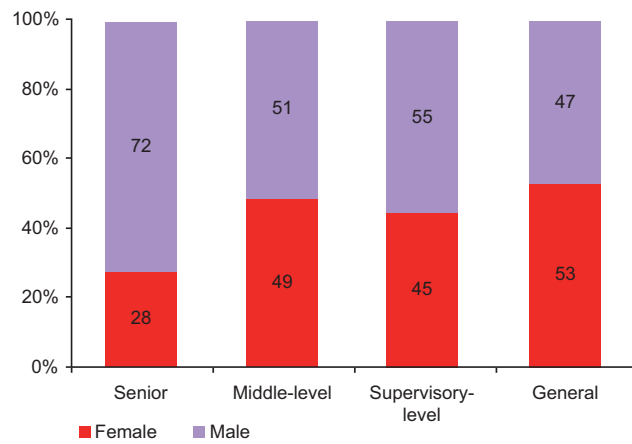
All employment with HKEx is voluntary and HKEx strictly complies with the Employment Ordinance and does not employ any persons under the age of 18. Employment is offered to the best qualified applicants in terms of their merits and abilities to meet the job requirements. The ratio of basic salary of men to women for each employee category within HKEx is 1:1 as the principle of equal remuneration for male and female employees for work of equal value is adopted. Employees' freedom of speech and association are respected as long as they are within legal boundaries. Procedures are in place to handle employees' grievances and complaints to ensure fair treatment of all employees when their concerns are being addressed. If an employee wishes to make a complaint against the Chief Executive or a Director, he/she can report it directly to the Chairman. HKEx strongly opposes any discrimination in employment on the grounds of age, gender, marital status, pregnancy, family status, disability, race, nationality or religion.

We provide training to equip employees with practical knowledge of upholding human rights and equal opportunities at the workplace so as to minimise the risk of violating various discrimination ordinances and ensure the application of transparency and fairness throughout the workplace, including the recruitment process.

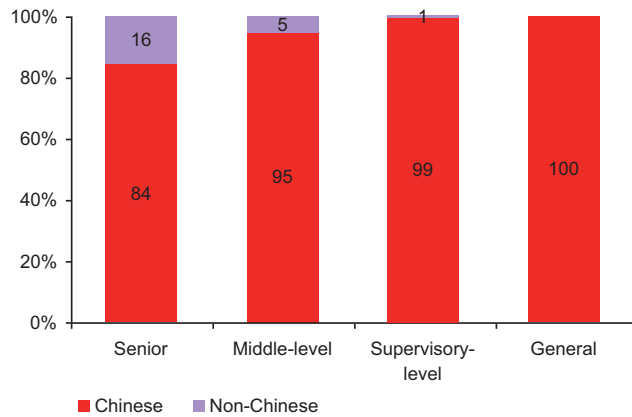
Diversity of employees by age as at 31 December 2010



Diversity of employees by gender as at 31 December 2010



Diversity of employees by race as at 31 December 2010



An analysis of the Board composition by gender, nationality and age group is set out in the Corporate Governance Report of HKEx’s 2010 Annual Report.

Employee development

HKEx encourages and supports employees to reach their full potential through continuous training and development. The training covers a range of topics including HKEx's products and services, latest developments of relevant rules, regulations and best practice standards, managerial, language and technical skills, and personal effectiveness and career development.

Employees can attend in-house training courses, participate in e-learning programmes and the employee reading scheme organised by HKEx, as well as enrol in external training seminars for which sponsorship is available. During 2010, a total of \$4.4 million was spent on employee training and \$0.2 million on the employee reading scheme. More than 3,600 participants in total were recorded for the in-house and external training, as well as the e-learning programmes. In addition, 9 employees of different grades participated in the academic sponsorship programme and more than 600 employees joined the employee reading scheme.

The annual performance appraisal is an interactive exercise conducted for all permanent employees which involves appraising past performance, reviewing the employee's personal and career development status and training progress, and setting work objectives and improvement goals. Workshops are organised in preparation for the performance appraisal exercise with the aim of facilitating open and effective communication between supervisors and subordinates when discussing work objectives and performance.

Health and safety

HKEx has an Occupational Safety and Health Policy, a contingency plan for pandemic disease and a host of preventive measures in place to minimise health and safety hazards in an office-based environment. We also provide relevant health and safety training to employees. In 2010, we organised a series of health care talks during lunchtime for our employees and their family members which collectively attracted more than 410 participants. The topics included dietetic therapy and caring for the elderly. 43 employees successfully completed first aid training sponsored by HKEx and currently serve as certified first aiders located in various offices. We subsidised influenza vaccinations for employees and their immediate family members, and provided free or subsidised medical check-ups for employees and dependants aged 40 or above.


In addition, we engaged external professional service providers to support employees at work and outside work through the Employee Assistance Programme and Travel Risk Management Programme which were both launched in August 2010. The former programme includes a 24-hour hotline, face-to-face counselling, clinical psychology service and critical incident management service which aims to help employees resolve personal issues that may adversely impact their work performance, attendance, and/or conduct, and to provide a mechanism for handling employee grievances. The latter programme aims to better protect the safety and health of employees and non-executive directors and their immediate family members when they are on business travels.



HKEx employees and their family members at a lunchtime health care talk which took place at HKEx's Exchange Auditorium.

Promote Work-life Balance and Team Solidarity

In 2010, HKEx set aside \$0.8 million for the Staff Social Club to organise activities including sports, educational, recreational and social, with the aim of enhancing work-life balance, personal development and sense of belonging and satisfaction among employees. About 2,400 participants took part in 31 different types of activities. The Staff Social Club also participated in activities which involved raising funds for various community causes, such as the Community Chest Corporate Challenge 2010, CLSA Outward Bound Adventure Race 2010, MTR HONG KONG Race Walking 2010, CENTRAL Rat Race 2010, and UNICEF Charity Run 2010.

More details of our contribution to the community are set out in the 'Community'  section.



HKEx employees and their family members at the Summer Fun Party organised by the HKEx Dance Club.

We also participated in Work-Life Balance Day 2010 launched by Community Business to demonstrate our commitment to work-life balance and to promote work-life balance as a business issue. On that day, all employees were provided with fresh fruit, invited to attend a lunchtime health talk with their family members, and encouraged to leave work on time.

Apart from maintaining efficient and effective communication channels within the Company, training programmes were organised during the year to equip employees with good communication and interpersonal skills to strengthen their teamwork and cooperation, such as relationship building and problem solving workshops and e-learning courses, which provide useful tips on cooperating with supervisors to achieve common goals.

Community



- Over **\$380 million** raised through the Stock Code Balloting for Charity Scheme since its inception to support the work of The Community Chest of Hong Kong
- Almost **3,000 volunteer service hours** were contributed to a range of community causes
- 36% increase** in charitable donations made by HKEx and its employees
- Supported **23 charitable organisations** in community programmes

HKEx, as a corporate citizen, interacts and shares common interests with others in the community. In addition to assessing and managing the social impact of our operations (details of which are covered in the 'Marketplace' [CSR](#) section), we contribute to community development by fostering community partnerships and providing appropriate support by means of donations and employee volunteering, and assess our efforts for continuous improvement.

Community Partnerships and Commitments

During the year, HKEx continued to support various community initiatives and demonstrate its commitment to develop partnerships with community organisations to create shared benefits. We participated in 26 different community programmes and charitable events, 10 of which were initiated by HKEx or organised in partnership with community organisations. The impact of key programmes is summarised below.

Social welfare services

The Stock Code Balloting for Charity Scheme established by HKEx in 1999 provides a platform for the corporate sector to support social welfare services in the community. Under the scheme, listing companies are able to choose their own stock codes by making a donation to The Community Chest of Hong Kong, which acts as trustee of the funds raised and prudently allocates such funds to social welfare agencies in Hong Kong to strengthen and maximise their services to those in need. A total of \$69.5 million was raised in 2010, surpassing the record of \$63.7 million in 2007, and over \$380 million has been raised through the scheme since its inception. HKEx employees also participated in various fundraising and educational initiatives organised by The Community Chest during the year, such as The Community Chest Corporate Challenge and Dress Special Day.

Sight saving work

HKEx has been supporting ORBIS' annual Pin Campaign since 2005, an awareness and fundraising campaign for ORBIS' sight saving work. In 2010, over 70 HKEx employees and their family members and friends participated in the "Hiking for Charity" event organised by HKEx to raise funds for ORBIS' 2010 Pin Campaign themed "Sight for All 2010".

Child development

Following its success in 2009, the Big Brothers and Sisters Mentoring Programme initiated by the HKEx Volunteer Team in partnership with The Boys' and Girls' Clubs Association of Hong Kong continued for a second year beginning in September 2010 to help underprivileged children. The programme has received positive feedback from children, their parents and our volunteers as a rewarding experience that helps children develop interpersonal and social skills as well as broaden their horizons through various inspiring and educational activities. Since 2009, 24 HKEx volunteers have committed to be mentors to children aged 8 to 12 on a one-to-one basis, and 12 other HKEx volunteers have joined the programme as helpers.



Mentors and mentees of the Big Brothers and Sisters Mentoring Programme organised by the HKEx Volunteer Team in partnership with The Boys' and Girls' Clubs Association of Hong Kong enjoyed an English Fun Day at The Peak.

Serving the disadvantaged

Every year, HKEx partners with St. James' Settlement on various projects to care for the poor and the elderly. In 2010, we sponsored and provided volunteer services to the New Year Warm Visit to the Elderly, Chinese New Year Gifts Collection, Mooncake Collection Campaign, rice packing service for the People's Food Bank and its annual flagship fundraising event, "Christmas is the Season to Give – Food Maze at Noah's Ark", which was open to the public for a month during December 2010/January 2011 and raised over \$3 million, including in-kind donations, for the food bank services.



HKEx volunteers helped pack the 3.88 tonnes of rice donated by the Company to the People's Food Bank for distribution to more than 1,300 underprivileged people in Hong Kong and visited the elderly at St. James' Settlement Kindness Centre.

HKEx continued to provide volunteer services to the Home Maintenance Service for the Singleton Elderly project organised by Fong Shu Chuen District Elderly Community Centre of Tung Wah Group of Hospitals to help improve the living conditions of the homes of elderly singletons.

HKEx also collaborated with a number of community organisations for the first time, such as Heep Hong Society, to serve children with special needs, and TREATS, to provide a unique integration experience for disadvantaged children through the Circus for ALL Project.

Protecting the environment

We participated in various environmental protection and awareness raising events in the community such as The Community Chest Green Day, the Tree Planting Challenge 2010 organised by Friends of the Earth (HK) and the Earth Hour 2010 organised by WWF. In addition, we organised a beach cleaning event in partnership with Eco Association through which our employees learned about the importance of marine protection and took action to improve the habitat for the threatened Chinese white dolphins.



HKEx volunteers participated in a beach cleaning event at Sha Chau and Lung Kwu Chau Marine Park to improve the habitat for the threatened Chinese white dolphins.

Beyond Hong Kong

Our commitment to serve the community goes beyond Hong Kong. While we had made donations and helped raise funds in the past for disaster relief in the Mainland, we are exploring specific sponsorship projects and volunteering opportunities that contribute to community development in the Mainland. In 2010, HKEx joined hands with Oxfam Hong Kong to organise an Oxfam Rice Sale at HKEx's Trading Hall and offices to raise funds for poverty alleviation in rural China. We participated in Aide et Action's Paint Against Women Illiteracy Charity Fun Day which raised funds for its women literacy programme in rural China. In addition, we sponsored the Shiliyuan ICT Centre Project organised by Plan International Hong Kong to build a centre for information, communication and technology for the benefit of 460 primary school students and 30 teachers from the poor rural communities in Shaanxi Province. We also sponsored the Wu Zhi Qiao Bridge Project in Gansu Province organised by Wu Zhi Qiao (Bridge to China) Charitable Foundation to help over 1,100 local villagers.

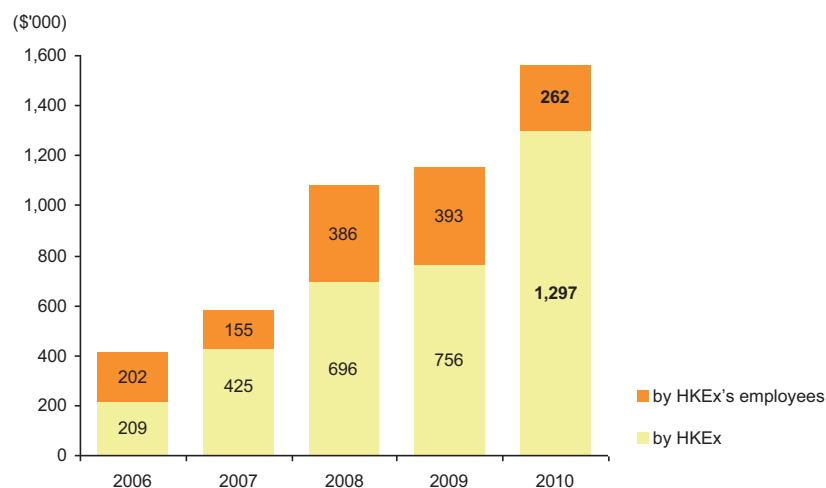
Means of Support

Donations

In June 2010, the Board approved a Community Investment Policy to better guide HKEx's community investment decisions. The policy sets out particular donation and sponsorship focuses to align HKEx's community investment towards development goals or particular causes for the improvement of the marketplace, community and environment which HKEx values in the long-term. Geographical concern, key stakeholders' concern, and synergy with HKEx's core values and products and services are taken into account. The policy also sets out the approval and reporting mechanism to further enhance accountability and transparency.

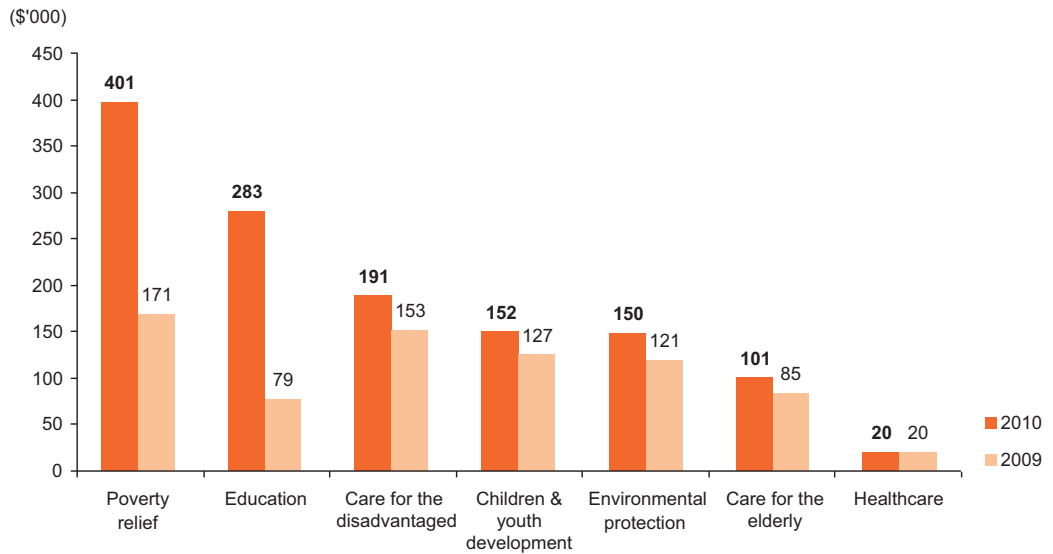
In 2010, HKEx donated \$1.3 million and made in-kind donations to different community causes including poverty relief, care for the disadvantaged and elderly, children and youth development, education, healthcare, and environmental protection. HKEx encourages a spirit of giving among employees by communicating up-to-date information on community needs and matching employees' donation on a dollar-to-dollar basis on a number of occasions.

Charitable donations made by HKEx and its employees*



* Excluded donations of \$10 million in 2008 and \$1 million in 2010 to support disaster relief efforts in the Sichuan earthquake and Qinghai earthquake respectively.

Breakdown of HKEx's charitable donations *



* Based on HKEx's Community Investment Policy adopted in June 2010, a total of \$78,500 shown under "Children & youth development" in 2009 has been restated under "Education".

Employee volunteering

The HKEx Volunteer Team, established in 2006 and with 144 members, is a valuable means to serve the community, strengthen HKEx's connection to the community, and engage employees. In 2010, we contributed almost 3,000 volunteer service hours to 39 volunteering activities, benefiting over 1,800 people in the Hong Kong community.

For the first time, we participated in Employee Volunteer Week 2010, a campaign organised by Community Business to encourage more companies in Hong Kong to embrace employee volunteering for the benefit of both the community and the companies involved. At this campaign, our Chief Executive joined other Board members to lead senior executives and other HKEx volunteers in providing volunteer services during work hours, which not only benefited the community but also reinforced the support of senior management to employee volunteering and promoted employee volunteering among our EPs.

The HKEx Annual Volunteer Recognition Ceremony, hosted by the Chief Executive, was held in July 2010 to recognise and encourage employees who serve the community. During the ceremony, 36 employees were presented with the Gold, Silver or Bronze Volunteer Awards in recognition of their contribution to over 100, 50 or 20 volunteer service hours respectively in 2009. Departmental Volunteer Awards and Volunteering Participation Awards were also granted to Listing, IT, Human Resources, Research & Corporate Development, and Market Data for their outstanding joint efforts in volunteering. In addition, employee volunteering leave was introduced on 1 September 2010 to grant an additional day of paid leave per year to employees in recognition of their commitment and efforts to serve the community. As at the end of 2010, 21 employees enjoyed this benefit.

Environment



- Reduced GHG emissions by **12%**
- Reduced overall paper consumption by **17%**
- HKEx's Next Generation Data Centre will meet the **LEED Gold standard**
- Expecting a reduction of over **120,000 paper stamp duty reports and 100,000 paper cheques** per year as a result of automated stamp duty reporting and payment system

Environmental protection is an individual as well as a corporate responsibility. In addition to addressing environmental issues and minimising the impact our business has on the environment through our corporate practices and facilities, products and services, advocating environmental protection among our employees and other stakeholders in the marketplace and community is another key concern.

Climate Change Mitigation and Adaptation

The CSR Committee has the responsibility to identify and assess significant risks and opportunities arising from climate change at a company-wide level. As a provider of financial and information products and services, HKEx is a relatively small GHG emitter. Nevertheless, HKEx considers the regulatory, physical, competitive and reputational risks and opportunities arising from climate change in order to minimise any direct and indirect costs related to climate change and to manage investor interests in this area.

HKEx has not identified any specific regulatory requirements related to climate change that present significant risks to the Company at this time. However, the development of international policy and regulation on climate change, the introduction of regulatory measures by the Central Government to cut emissions and the evolving commitment of the Government to carbon reduction are anticipated and may present potential risks to HKEx as both a listed company and an exchange controller in the coming years. HKEx has pledged support for the Government's initiative to reduce carbon emissions by signing the voluntary Carbon Reduction Charter in September 2008 and becoming a green partner of the "Green Hong Kong – Carbon Audit" campaign launched by the EPD. We will stay abreast of environment-related regulatory developments that could impact our business, our supply chain and customers, and assess the resulting risks.

Most of the physical risks which HKEx is exposed to are tied to the potential impact that climate change may have on the risks of coastal flooding, frequency and severity of tropical cyclones, infectious diseases, pandemics and power failures occurring. If these physical risks are realised, some may pose significant risks to HKEx's trading, clearing and settlement activities and provision of products and services, resulting in potential loss of business. HKEx has therefore established contingency plans for managing such risks. In the past, market closure for partial days or full days due to severe tropical storms or rainstorms was not common. Nevertheless, given that the suspension of or interruption to HKEx's operation also affects a wide range of stakeholders, HKEx maintains documented contingency plans for its most significant risks including arrangement for clearing and settlement services to ensure that market operations remain orderly in the event a typhoon signal no. 8 or above or black rainstorm warning is hoisted, details of which are posted on the HKEx website. In addition, all critical trading and settlement systems are backed up and regularly tested to ensure efficient recovery from failure and the shortest interruption possible.

Sustainable Resource Use

As indirect GHG emissions from our electricity consumption is the biggest contributor to our carbon footprint, we continue to implement various energy saving and efficiency measures across our offices, including reducing excessive lighting, phasing in energy efficient lighting, replacing halogen spotlights with LED spotlights, installing motion detectors for non-essential lighting and creating more effective lighting control zones. We have also installed sub-meters to capture the energy consumption of selected E&M installation in our offices to facilitate better reporting and management.

Paper consumption is another key environmental concern in our daily operations. Therefore, we have further developed and implemented a number of electronic or automated internal administrative processes in 2010 such as the electronic salary record system to eliminate monthly paper salary records to all employees. In addition, there are a number of marketplace initiatives in place to help reduce paper consumption:

- Introduced amended Listing Rules in June 2010 to streamline the content requirements for issuers' documents and to allow issuers to incorporate previously published information by reference.
- Introduced automated stamp duty reporting and payment in September 2010 to eliminate paper stamp duty submissions and paper cheques with the added benefit of streamlining EPs' stamp duty reporting and payment operations.
- Through the single licensing regime launched in December 2010, all market data vendor licences are consolidated into a single agreement to simplify the administration of the licensed vendors and reduce paperwork.
- Introduced amended Listing Rules in January 2011 to remove the requirements for issuers to file printed documents with the Exchange, including their annual and interim reports.
- Introduced the Mixed Media Offer initiative in February 2011 jointly with the SFC to reduce the amount of printed offering documents and to promote the use of electronic listing documents with paper application forms.
- Distributed our quarterly newsletter *Exchange* in electronic version only since January 2011.
- Continued to promote the provision of eIPO services to new listings which facilitate potential investors to apply for new shares electronically. In 2010, 73% of new listing issuers made eIPO services an option to potential investors.
- Continued to encourage our shareholders to access HKEx's corporate communications via electronic means, which not only saves paper but is the most prompt, efficient and convenient method of communication. As a note of appreciation, HKEx donates HK\$50 to charity for each election made by shareholders to receive corporate communications electronically, subject to a cap of HK\$100,000 per annum. As a result, a total of \$100,000 was donated in 2010 to Friends of the Earth (HK) to support its work on environmental protection in Hong Kong.

We continue to manage and report our own carbon footprint and disclose other relevant business information on climate change to our stakeholders such as through our response to the Carbon Disclosure Project.

Waste Management

We adopt responsible waste management practices including avoidance of waste, source reduction, reuse, recycling and responsible disposal. Our Waste Management Guide, which is posted on the HKEx Intranet, provides guidance on HKEx's arrangements and measures to help employees handle office waste generated in a proper and environmentally-friendly manner that is also in accordance with legislative requirements and industry best practices.

After successfully completing a waste audit for 3 pilot sites in June 2009, we conducted a waste audit across our 6 offices in 2010 to obtain more comprehensive information on the composition and quantities of waste being generated for the formulation of a company-wide waste reduction strategy and to raise awareness of waste reduction through the dissemination of such information. The audit findings showed that the quick-win improvement measures implemented following the 2009 audit have had a positive impact on our waste management performance. Working together with our cleaning contractor, for example, we are able to collect more reliable waste disposal and recycling data of each office, and we extended our waste recycling collection to include waste power cables, electrical components, fluorescent tubes and toner cartridges. We plan to join the Wastewi\$e Label scheme under the Hong Kong Awards for Environmental Excellence in 2011.

Education and Advocacy

Environmental education and advocacy among employees encourages the adoption of environmentally responsible behaviour and helps fulfil HKEx's commitment to minimising its adverse impact on the environment.

During August and September 2010, in-house seminars on "Save our earth, save our energy" conducted by Friends of the Earth (HK) were organised for all employees to raise awareness of environmental issues and provide useful tips to encourage energy efficiency in the office and at home. We encouraged employees and their family members to join the "Power Smart Contest 2010" organised by Friends of the Earth (HK) to promote energy conservation and carbon emission reduction. One of our employees became the Champion of "Power Smart" Biggest Unit Saver Award (Household) by achieving over 34% energy reduction in the designated period.



The winning designs of the Environmental Poster Design Competition which were made into posters for display across HKEx's offices.

In addition, we conducted an Environmental Poster Design Competition in August 2010 to help promote the importance of environmental protection by engaging employees and their family members in the design of a poster conveying such a message and displaying the winners' posters across HKEx's offices. For every entry received, HKEx made a donation of HK\$100 to WWF Hong Kong to support their environmental conservation and education initiatives.

Assurance Statement



SustainAsia Ltd has been commissioned by Hong Kong Exchanges and Clearing Limited (HKEx) to provide independent verification of HKEx's 2010 Corporate Social Responsibility (CSR) Report.

Scope of verification and methodology

The verification process was performed over the January – February 2011 period and its objectives were to provide an independent opinion on the completeness and overall quality of the 2010 CSR Report, as well as the accuracy and robustness of the information presented therein. We also reviewed the report against the standard disclosure requirements of the Global Reporting Initiative (GRI) G3 sustainability reporting guidelines and Financial Services Sector Supplement, and verified the application level.

SustainAsia's scope of verification was limited to the information presented in the 2010 CSR Report and excluded financial information.

SustainAsia has selected a representative sample of data and statements in the draft report (English version) for verification, through applying AccountAbility's Five Part Materiality Test. The verification was conducted through desktop review of report content, questionnaires, documentation review and interviews of designated HKEx personnel.

As a result of this verification process, SustainAsia has made some observations and suggested minor adjustments and amendments to the original draft report. We have also made recommendations to improve HKEx's CSR management and reporting system.

Conclusion

Within the scope of our assignment, we have assessed the quantitative data and qualitative statements sampled from HKEx's 2010 CSR Report and verified their accuracy. We consider this report a balanced, comprehensive and accurate presentation of HKEx's CSR performance in 2010 and that the report meets the GRI A+ application level.

A handwritten signature in blue ink, appearing to read "Bongars".

Christophe Bongars
Chief Executive Officer, SustainAsia Ltd
Hong Kong, 8 February 2011

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GRI Application Level Check Statement



Statement GRI Application Level Check

GRI hereby states that **Hong Kong Exchanges and Clearing Limited** has presented its report "2010 Corporate Social Responsibility Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

21 February 2011, Amsterdam

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Hong Kong Exchanges and Clearing Limited has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assurance Provider and for deciding the scope of the assurance.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 9 February 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

GRI Content Index

The GRI G3 Guidelines' standard disclosures include strategy and profile (1.1 to 1.2, 2.1 to 2.10, 3.1 to 3.13, 4.1 to 4.17), management approach and performance indicators under the categories of Economic (EC), Environmental (EN), Labour (LA), Human Rights (HR), Society (SO), and Product Responsibility (PR). The Financial Services Sector Supplement provides financial services sector (FS) specific disclosures on management approach and performance indicators.

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4.6	Management of conflicts of interest	p. 15
4.7	Process for determining the qualifications and expertise of the highest governance body	p. 15
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4.13	Memberships	p. 22
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4.15	Identification and selection of stakeholders	p. 18
4.16	Approach to stakeholder engagement	p. 18-22
4.17	Key topics and concerns raised through stakeholder engagement	p. 18-22

Economic Performance

	Disclosure on management approach	p. 5, 17, 25, 28, 36
EC1 [▲]	Direct economic value	p. 11
EC2 [▲]	Financial implications due to climate change	p. 36
EC3 [▲]	Defined benefit plan obligations	p. 28
EC4 [▲]	Significant financial assistance received from government	None in 2010.
EC5 [△]	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	p. 28
EC6 [▲]	Spending on locally-based suppliers	p. 17
EC7 [▲]	Procedures for local hiring and proportion of senior management hired from the local community	p. 12, 28
EC8 [▲]	Development and impact of infrastructure investments and services provided primarily for public benefit	p. 25-27, 32-34
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Environmental Performance

	Disclosure on management approach	p. 17, 36-38
EN1 [▲]	Materials used	p. 13
EN2 [▲]	Recycled input materials	p. 13
EN3 [▲]	Direct energy consumption	p. 13
EN4 [▲]	Indirect energy consumption	p. 13
EN5 [△]	Energy saved due to conservation and efficiency improvements	p. 13, 37

EN6 ^Δ	Initiatives to provide energy efficient or renewable energy based products	NR – As an exchange controller, we provide products and services in relation to the securities and futures markets in Hong Kong only.
EN7 ^Δ	Initiatives to reduce indirect energy consumption	p. 37
EN8 ^Δ EN9 ^Δ EN10 ^Δ EN21 ^Δ	Water withdrawal, recycled, reused and discharge	NA – As HKEx operates in leased office premises, both the water supply and discharge are solely controlled by the respective building management which considered the provision of water withdrawal and discharge data or sub-meter for individual occupant not feasible. We will be able to gather the relevant data in the long term when we operate in our own property, such as the NGDC which is scheduled for completion in 2013.
EN11 ^Δ	Location and size of land in or adjacent to protected areas	None in 2010.
EN12 ^Δ EN13 ^Δ EN14 ^Δ EN15 ^Δ	Significant impacts on biodiversity in protected areas, habitats protected or restored, managing impacts on biodiversity, and species with extinction risk affected	NR – As an exchange controller, our operations are located in developed commercial areas with no significant impact on biodiversity and species with extinction risk.
EN16 ^Δ	Direct and indirect GHG emissions	p. 13
EN17 ^Δ	Other relevant indirect GHG emissions	p. 13
EN18 ^Δ	Initiatives to reduce GHG emissions	p. 37
EN19 ^Δ	Emissions of ozone-depleting substances	p. 13
EN20 ^Δ	NOx, SOx, and other significant air emissions	NR – As an exchange controller, our operations generate no significant emissions of NOx, SOx and other air pollutants.
EN22 ^Δ	Waste by type and disposal method	p. 13, 38
EN23 ^Δ	Significant spills of hazardous substances	NR – As an exchange controller, our operations are office-based and do not constitute any risks of significant spills of hazardous substances.
EN24 ^Δ	Hazardous waste	NR – As an exchange controller, our operations are office-based and do not generate any significant amounts of hazardous waste.

EN25 [△]	Water discharges and runoff	NR – As an exchange controller, our operations are office-based and the impact of our water discharges and runoff is not significant.
EN26 [▲]	Initiatives to mitigate environmental impacts of products and services	p. 37
EN27 [▲]	Percentage of products sold and their packaging materials that are reclaimed	NR – As an exchange controller, we mainly provide financial and data products without packaging materials.
EN28 [▲]	Fines and sanctions for non-compliance with environmental laws and legislation	None in 2010.
EN29 [△]	Significant environmental impact of transporting products	NR – As an exchange controller, we mainly provide financial and data products which do not require physical transportation.
EN30 [△]	Environmental protection expenditures and investments	p. 13
Labour Practices and Decent Work Conditions		
	Disclosure on management approach	p. 28-30
LA1 [▲]	Analysis of workforce	p. 11
LA2 [▲]	Employee turnover	p. 11
LA3 [△]	Benefits provided to full-time employees	p. 28
LA4 [▲]	Employees covered by collective bargaining agreements	None in 2010.
LA5 [▲]	Minimum notice period(s) regarding significant operational changes	p. 28
LA6 [△]	Formal joint management-worker health and safety committees	p. 17
LA7 [▲]	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	p. 12
LA8 [▲]	Education, training and prevention of serious diseases	p. 30
LA9 [△]	Health and safety topics covered in formal agreements with trade unions	NR – HKEx does not have any formal agreements with trade unions.
LA10 [▲]	Average hours of training	p. 10, 12
LA11 [△]	Skills management and lifelong learning programmes	p. 30
LA12 [△]	Performance and career development reviews	p. 30
LA13 [▲]	Composition of the Board and breakdown of employees per category according to age, gender and race	p. 29
LA14 [▲]	Ratio of basic salary of men to women	p. 28
Human Rights		
	Disclosure on management approach	p. 17, 28
HR1 [▲]	Significant investment agreements that include human rights clauses or have undergone human rights screening	None in 2010.
HR2 [▲]	Suppliers that have undergone human rights screening	None in 2010.
HR3 [△]	Employee training on policies and procedures concerning human rights	p. 12

HR4 [▲]	Incidents of discrimination and actions taken	None in 2010.
HR5 [▲]	Freedom of association and collective bargaining	p. 28
HR6 [▲]	Elimination of child labour	p. 28
HR7 [▲]	Elimination of forced labour	p. 28
HR8 [△]	Training for security personnel on aspects of human rights	p. 12
HR9 [△]	Incidents of violations involving rights of indigenous people	NR – As an exchange controller, our operations are located in developed commercial areas with no significant impact on indigenous people.


Society

	Disclosure on management approach	p. 16, 18, 24, 32
SO1 [▲]	Programmes and practices that assess and manage the impacts of operations on the community	p. 18, 24, 32
SO2 [▲]	Risks related to corruption	p. 16
SO3 [▲]	Anti-corruption training	p. 16
SO4 [▲]	Incidents of corruption and actions taken in response	None in 2010.
SO5 [▲]	Public policy positions and participation in public policy development	p. 19-21
SO6 [△]	Contributions to political parties	None in 2010.
SO7 [△]	Legal actions for anti-competitive behaviour	None in 2010.
SO8 [▲]	Significant fines and sanctions for non-compliance with laws and regulations	None in 2010.

Product and Service Responsibility

	Disclosure on management approach	p. 16, 19, 24
PR1 [▲] PR2 [△]	Health and safety impacts of products and services and incidents of non-compliance	NR – As an exchange controller, we mainly provide financial and data products and services which do not present any significant health and safety impacts.
PR3 [▲]	Product and service information	p. 19, 24
PR4 [△]	Non-compliance with regulations concerning product and service information and labeling	None in 2010.
PR5 [△]	Customer satisfaction	p. 19, 24
PR6 [▲]	Marketing communications standards	p. 24
PR7 [△]	Non-compliance concerning marketing communications standards	None in 2010.
PR8 [△]	Complaints regarding breaches of customer privacy and losses of customer data	None in 2010.
PR9 [▲]	Non-compliance with laws and regulations concerning the provision and use of products/services	None in 2010.



Financial Services Sector Disclosures		
FS1 [▲]	Environmental and social policies applied	p. 17
FS2 [▲]	Assessment of environmental and social risks	p. 17
FS3 [▲]	Monitoring clients' implementation of and compliance with environmental and social requirements	NR – As an exchange controller, we do not provide any commercial/ corporate banking or insurance services.
FS4 [▲]	Improving staff competency to implement environmental and social policies and procedures	p. 17
FS5 [▲]	Interactions with clients/business partners regarding environmental and social risks and opportunities	p. 17, 19-21
FS6 [▲]	Percentage of the portfolio for business lines by specific region, size and sector	NR – The evaluation and ranking of environmental or social impact of our customer base is not relevant to our business as an exchange controller.
FS7 [▲]	Products and services designed to deliver a specific social benefit	NR – The provision of products or services with preferential terms/ discounted rates or that target an underserved or disadvantaged population is not relevant to our business as an exchange controller.
FS8 [▲]	Products and services designed to deliver a specific environmental benefit	NR – The provision of products or services designed with an explicit aim of addressing environmental issues is not relevant to our business as an exchange controller. However, it is our CSR Policy to promote environmental protection in the marketplace. Therefore, we have introduced various initiatives to help mitigate the environmental impacts of our products and services, details of which are set out in the 'Environment'  section.
FS9 [▲]	Audits to assess the implementation of environmental and social policies and risk assessment procedures	p. 17
FS10 [▲] FS12 [▲]	Percentage and number of companies held in HKEx's portfolio with which HKEx has interacted on environmental or social issues and voting policies applied to these issues for shares held	NR – HKEx did not have any shareholding in companies other than its subsidiaries as at 31 December 2010.
FS11 [▲]	Percentage of assets subject to environmental or social screening	NR – HKEx does not have any asset management operations and therefore environmental and social screening practices are not relevant in this respect.

FS13▲	Access points in low-populated or economically disadvantaged areas	NR – HKEx does not operate in low-populated or economically disadvantaged areas.
FS14▲	Initiatives to improve access to financial services for disadvantaged people	p. 24-25
FS15▲	Policies for fair design and sale of financial products and services	p. 16, 24
FS16▲	Initiatives to enhance financial literacy	p. 24

▲ Core indicator

△ Additional indicator

NA Not available – data for the disclosure is not available

NR Not reported – reporting on the disclosure is not material or not applicable

Glossary

ASrIA	Association for Sustainable & Responsible Investment in Asia
Board	HKEx's Board
CCASS	The Central Clearing and Settlement System
CG Code	Code on Corporate Governance Practices
CPs	Clearing Participants
CSR	Corporate Social Responsibility
Director(s)	HKEx's Director(s)
elIPO	Electronic IPO
EMSD	Electrical and Mechanical Services Department, Hong Kong Government
EPD	Environmental Protection Department, Hong Kong Government
EP(s) or Participant(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
FRC	Financial Reporting Council
FSC	Forest Stewardship Council
FSTB	Financial Services and the Treasury Bureau
GHG	Greenhouse gas
Government	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
GRI	Global Reporting Initiative
GRI G3 Guidelines	GRI G3 Sustainability Reporting Guidelines
GWPs	Global Warming Potentials
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKFE	Hong Kong Futures Exchange Limited
HKICPA	Hong Kong Institute of Certified Public Accountants
HKICS	The Hong Kong Institute of Chartered Secretaries
HKSCC	Hong Kong Securities Clearing Company Limited
HKSI	Hong Kong Securities Institute
HSI	Hang Seng Index
IAQ	Indoor Air Quality
ICAC	Independent Commission Against Corruption
ICAO	International Civil Aviation Organization
INEDs	Independent Non-executive Directors
IPs	Investor Participants
IPCC	Intergovernmental Panel on Climate Change
IPO	Initial Public Offering
ISO	International Organization for Standardization
IT	Information Technology
IVs	Information Vendors
KPIs	Key Performance Indicators
Listing Rules	Main Board Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MDS	Market Data System
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
MOU	Memorandum of Understanding
RMB	Renminbi
SEHK or Stock Exchange or Exchange	The Stock Exchange of Hong Kong Limited
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
UNPRI	United Nations Principles for Responsible Investment
WFE	World Federation of Exchanges
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute
\$/HKD	Hong Kong Dollar

Board of Directors

As at 2 March 2011, the Board comprises 12 INEDs, namely Mr Ronald Joseph ARCULLI (Chairman), Mrs CHA May-Lung, Laura, Mr CHAN Tze Ching, Ignatius, Dr CHENG Mo Chi, Moses, Dr CHEUNG Kin Tung, Marvin, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mr John Estmond STRICKLAND, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also the Chief Executive.

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