

## Management Approach to Our Markets

### Corporate Governance

We believe that a financial market's success comes from a solid foundation of risk management processes, robust corporate governance standards have become imperative to long-term market sustainability. We champion a culture of good corporate governance and ESG management by improving corporate governance transparency.

Since the introduction of corporate governance standards, the Stock Exchange of Hong Kong Limited (SEHK) conducts regular review of the corporate governance practices of the companies listed in Hong Kong for the purpose of determining the effectiveness of the implementation of the Corporate Governance Code of the listed issuers. To discharge part of its regulatory function, SEHK has a Financial Statements Review Programme under which the periodic financial reports published by issuers are reviewed by sampling. The objective of the programme is to monitor compliance with the disclosure requirements of the Listing Rules and accounting standards. In order to enhance transparency and encourage high standards of financial disclosure, key findings and observations from its review are regularly released. To encourage progress on corporate governance, we also curate initiatives that reflect our strategic objectives and promote a culture of strong corporate governance and ESG management throughout the market.

### Environmental, Social and Governance Reporting

In view of the growing importance of environmental, social and governance (ESG) performance and reporting globally, and the welcoming responses to the market consultation, the Exchange introduced the ESG Reporting Guide in 2012 for companies listed in Hong Kong as a recommended practice under the Listing Rules. In view of the strong market support to the proposals for the market consultation in July 2015, the Exchange has amended the Listing Rules to upgrade certain recommended ESG disclosures to “comply or explain”. The revised ESG Guide comes into effect in two phases, for financial years beginning on or after 1 January 2016 and 1 January 2017.

Following the introduction of the revised ESG Reporting Guide in December 2015, the Exchange launched a revamped ESG webpage on the HKEX Market website in March 2016 to provide practical guidance to help issuers prepare ESG reporting. Seminars and talks have been organised for listed issuers and market participants to enhance their understanding of ESG reporting and promote carbon disclosure. Representatives of the Exchange have also delivered talks at the relevant seminars organised by professional associations and other institutions.

### Sustainable Finance

In view of the green finance development and the Government's plan to develop Hong Kong as an international green finance hub, HKEX is working closely with the SFC and other stakeholders to enhance listed issuers' environmental reporting including reviewing its regulatory framework and to develop and promote the listing and trading of green financial products. As set out in its Strategic Plan for 2019 to 2021, HKEX seeks to develop a green finance regime to facilitate sustainable financing for environmentally-aligned issuers seeking lower costs of funding. As a member of the Hong Kong Green Finance Association, HKEX joins with the Government and other market practitioners and business leaders to help promote the green finance development in China and Hong Kong.

The global topic of responsible metals sourcing has gained increasing momentum over recent years. As the world centre for the trading of industrial metals, the LME works with a variety of industry bodies to better understand the issues and contribute to the debate as appropriate. Building on the strong market engagement process and reflecting the broad range of feedback received, the LME proposes rules for the application of responsible sourcing standards to all LME-listed brands which are consistent with, or build upon, the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

### **Innovation and Entrepreneurship**

To promote the development of Hong Kong as a major financial hub for biotech sector, HKEX hosts the HKEX Biotech Week to connect key industry leaders with the investment community for them to share views on the latest biotech innovations and ways to finance this fast-growing sector. HKEX also signed memoranda of understanding with leading biotech industry associations to strengthen mutual communication and cooperation and support listings of biotech firms in Hong Kong.

As a leading global operator of exchanges and clearing houses, HKEX is keen to take a leading role in supporting the development of the Hong Kong Fintech ecosystem by encouraging more Fintech firms and startups to incubate, launch and grow in Hong Kong. HKEX sets up an Innovation Lab to explore and accelerate creative new technologies and applications for its business and to stay abreast of emerging new technologies for further enhancement of its technological capabilities.