

Management Approach to Our Operations

Ethical and Responsible Conduct

The Group builds confidence in its markets by maintaining high standards of integrity and professionalism among its employees. The Code of Conduct set out in the Human Resources Manual (see [HKEX Governing Principles in the Workplace](#)) provides guidance on the ethical responsibilities and legal obligations of HKEX's employees to ensure their professionalism, high ethical standards, integrity and honesty, which are crucial for HKEX in pursuing and maintaining its regulatory role in the securities market. The Code of Conduct is updated from time to time to promptly reflect prevailing laws and other relevant regulations that employees ought to be aware of and comply with. Any non-compliance with the Code of Conduct may result in summary dismissal. The application of the Code of Conduct is monitored through declarations made by employees (eg, the declaration of their securities holdings) and staff complaints received. A Group Whistleblowing Policy is in place to facilitate reporting of employees' misconduct.

A Group Personal Account Dealing Policy is in place to set out the obligations of the Group's employees and the procedures that must be followed when trading securities (in particular HKEX shares), futures contracts and derivatives. The Policy aims to ensure that the trading, purchasing and selling of all securities, futures contracts and derivatives that are listed and/or traded for the employee's own account or for the account of a related person or entity if the employee controls, materially influences, and/or has sole discretion to operate, does not breach insider dealing laws.

An internal monthly Regulatory Bulletin is issued to the Group's employees to help them stay abreast of the latest regulatory development. The bulletin summarises major developments in the regulatory and compliance landscape in Hong Kong and across major jurisdictions, and captures legislative and regulatory materials from the major regulators in Hong Kong, the PRC, the United States, Europe and Singapore (eg, the US Securities and Exchange Commission and the European Securities and Markets Authority). The bulletin also highlights items for the attention of specific business lines.

Anti-bribery and Anti-corruption

The management of HKEX and its subsidiaries (Group) supports a culture of integrity, ethical conduct, fairness, honesty and openness when doing business, and zero tolerance of bribery. The business benefits of rejecting bribery are manifold and include reputational, customer, and business partner confidence. The Group is committed to ensuring that no bribes, kickbacks or similar gifts, payments or advantages are solicited from or given or offered to any person, whether in the public or private sector, for any purposes.

All Personnel (all employees (including temporary, contract seconded or work experience staff, officers and consultants), directors and members of committees of the Group) are required to adhere to high standards of business and professional and ethical conduct. A Group Anti-Bribery and Anti-Corruption Policy is in place to set out minimum standards to assist such persons in recognising circumstances which may lead to or give the appearance of involving corruption or unethical business conduct, to avoid conduct which is clearly prohibited, and promptly to seek guidance where it is not. Such Personnel should adhere to all applicable anti-bribery legislation in the jurisdictions in which the Group operates, in particular the Hong Kong Prevention of Bribery Ordinance and the UK Bribery Act 2010.

The Group Anti-Bribery and Anti-Corruption Policy prohibits all Personnel of the Group from offering, promising, giving or authorising, directly or indirectly, any bribe or kickback or facilitation

payment to or for the benefit of any person in order to obtain any improper business or other advantage for the Group, for themselves, or for anyone else; or soliciting, accepting or receiving any bribe or kickback from any person in return for providing any improper business or other advantage. The Policy also sets out procedures for the handling of gifts, entertainment, sponsored travel, sponsored events, retaining third parties, political contributions and charitable donations. All Personnel must take steps to ensure that improper payments or advantages are not offered or made, or solicited or received, on their behalf by third party intermediaries. Examples of third party intermediaries might include but not limited to consultants, lawyers, tax advisers, warehouse agents, introducers of business, other agents and services providers involved in sales and marketing, brokers, political lobbyists and other professionals. There are guidelines on assessing corruption risks presented by third parties (eg, agents, suppliers and service providers) and mitigation steps (eg, additional due diligence work) to be undertaken when high risk relationships are identified. Procedures for the reporting of bribery cases and the monitoring of compliance with the Policy are also in place. The Audit Committees of HKEX and LME Clear Limited (LME Clear) and the Audit and Risk Committee of The London Metal Exchange (the LME) are responsible for the Policy and its application to their respective group company(ies).

The Group's directors and entire workforce are made aware of the Policy which is available on the HKEX intranet. Seminars on integrity and corruption prevention conducted by the Independent Commission Against Corruption are organised regularly to ensure that all employees, particularly new joiners, are familiar with the relevant laws and regulatory requirements. The Group's stakeholders, such as suppliers, business partners and issuers are invited to attend seminars on anti-bribery or anti-corruption from time to time. Although there is no record of the number of the Group's suppliers and business partners to whom anti-corruption policies and procedures have been communicated, the Group has always drawn their attention by referring them to the readily available and relevant information such as HKEX's Supplier CSR Code of Conduct or the relevant provisions requiring compliance with anti-bribery laws in standard procurement agreements or contracts or service engagement contracts.

HKEX's community investment covering charitable donations and corporate sponsorships should be made in accordance with the Group Anti-Bribery and Anti-Corruption Policy and the Community Investment Policy. Human Resources Department and Corporate Communications Division shall respectively monitor and ensure that the donations and sponsorships made are effective.

A Group Whistleblowing Policy is in place to facilitate reporting of employees' misconduct. The policy applies to all employees of the Group and non-employees such as consultants and contractors who are engaged by a member of the Group. Employees can contact the designated officer(s) on matters relating to inappropriate and unlawful behaviour or organisational malpractice, or if they wish, on confidential and anonymous bases, communicate directly with the chairman of HKEX Audit Committee, LME Audit and Risk Committee or LME Clear Audit Committee, without fear of reprisal or victimisation. In addition to the internal reporting procedures available under the Group Whistleblowing Policy, HKEX also has in place arrangements for external parties to raise concerns in confidence. For example, clear instructions are provided on the HKEX website for external parties, including investors, suppliers, vendors and other third parties, to make complaints via the designated complaints hotlines.

Prevention of Financial Crime

HKEX has established a Group Prevention of Financial Crime Policy. The Policy applies to all employees, including temporary, contract, seconded staff and consultants of HKEX Group and all companies within HKEX Group. The Policy provides a summary of relevant legislation (including, among others, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Drug Trafficking (Recovery of Proceeds) Ordinance and the Organized and Serious Crimes Ordinance).

The Policy also sets out the role of the Money Laundering Reporting Officer which includes responsibility for HKEX Group's relevant systems, control measures (eg, customer due diligence and sanctions screening) and training, and rules for HKEX Group and their employees to follow: 1) when dealing with market participants, members or persons who have applied to become market participants or members; 2) when dealing with any person or entity which has a business relationship with any member of the HKEX Group; and 3) when suspicious transactions are identified and subsequent handling and reporting matters, including the requirement of properly recording and retaining all relevant documents for at least five years.

An HKEX Board Committee, the LME Audit and Risk Committee, the LME Clear Audit Committee have overall responsibility for the Policy standards and for reviewing the effectiveness of actions taken in response to concerns raised under this Policy.

Economic Performance

HKEX embraces high corporate governance standards and publishes financial results on a quarterly basis. The Board has adopted a policy of providing shareholders with regular dividends with a target payout ratio of 90 per cent. HKEX, since its listing in Hong Kong, has not received any financial assistance from any governmental bodies. The Group has sponsored a defined contribution provident fund scheme for the benefits of its employees in Hong Kong and a defined contribution pension scheme for all employees of the LME Group aged over 25. Details of these schemes are disclosed in the Notes to the Consolidated Financial Statements in the annual report and on the HKEX Group website.

The Group aims to (i) continue leveraging its core competencies to achieve organic growth; (ii) evaluate business propositions in terms of costs and benefits to ensure commercial viability; and (iii) achieve sustainable profit growth through sound commercial and responsible practices. To achieve these objectives and in accordance with the initiatives identified under the Strategic Plan, the Group conducts an extensive, comprehensive annual operating budget exercise in the latter part of each year. The budget preparation process includes details consultation with individual divisions/departments as well as collective discussions with management.

Product and Service Responsibility

Product and Service Development

Under the Securities and Futures Ordinance (SFO) (Chapter 571 of the Laws of Hong Kong), any amendments to the rules of the recognised exchanges and clearing houses require the SFC's approval. Typically, prior to any new or amended rules becoming effective or the launch of any products or services, relevant information is published under the News ([News Releases](#)) section of the HKEX Market website and the [News](#) section of the LME website. Relevant information is also set out in the appropriate sections such as [Listing](#), [Products](#) and [Services](#) sections of the HKEX Market website and under the [Key Compliance Notices](#) section of the LME website.

Before any market initiative is recommended, HKEX will consider the potential impact on relevant stakeholders and the market in general by soliciting views from the relevant [Consultative Panels](#) which comprise selected representatives of market participants and industry experts, and make reference to the practices and experience of other exchanges and clearing houses which have implemented similar initiatives. Public consultation is sought on major initiatives to collect interested parties' views and comments which are then thoroughly analysed and considered. The responses to consultations and the consultation conclusions are posted on the [HKEX Market website](#) for the public's information.

For the introduction of any new product or service design which requires amendments to the existing rules, regulations or procedures, formal approval from the SFC is obtained on those amendments prior to the launch. Internal briefings are conducted to ensure that employees understand the new product or service and to provide guidance on proper conveyance of the related information to market participants. Marketing materials, such as product information sheets, are compiled in accordance with the relevant guidelines issued by the SFC, eg, the Guidelines on Marketing Materials for Listed Structured Products, and approved by the SFC before publication. The profiles of HKEX's [Products](#) and [Services](#) are available on the HKEX Market website.

Customer Satisfaction

To ensure customer satisfaction, apart from HKEX's regular engagement with listed issuers, Exchange Participants (EPs) and Information Vendors to collect their views on HKEX's policies, products and services, HKEX adopts a comprehensive and robust approach to handling day-to-day enquiries and complaints from market participants, investors and the general public through dedicated hotlines and email communication. The hotline numbers and email addresses, as well as the policy in handling investor enquiry and complaints are posted on the [HKEX Market website](#).

Intellectual Property

HKEX respects intellectual property rights and has a policy of not using infringing articles in its business. The General Guidelines on Compliance with Copyright Ordinance, as included in the HKEX Human Resources Manual (see [HKEX Governing Principles in the Workplace](#)), outline the provisions of the Copyright Ordinance for the information of employees when discharging their duties.

Marketing Communication

Marketing communication covers all kinds of information about the Group's products and services, information of which is set out under the [Products](#) and [Services](#) sections of the HKEX Market website, and the [Trading](#) and [Metals](#) sections of the LME website. A variety of securities and derivatives such as shares, Exchange Traded Funds, structured products, futures and options can be bought and sold through HKEX's markets. Comprehensive pre-trade and post-trade services, primarily at the wholesale level, are also available through HKEX. A [Mutual Market website](#) is established to provide investors with updated information about the Stock Connect programme as well as convenient access to the latest information on listed companies and market movements in the stock markets of Hong Kong, Shanghai and Shenzhen.

The Group publishes news releases on the [HKEX Group website](#) and the [HKEX Market website](#) and press releases on the [LME website](#) to provide the public with updates on the Group's activities, decisions and changes to practice and policy in a timely manner. As the frontline regulator of listed issuers, HKEX publishes regulatory news and updates as soon as practicable after disciplinary actions have been taken against listed issuers. Reports on IPO applications, delisting and suspensions are published on a monthly basis under the News (News Releases) section of the HKEX Market website. The Group also issues circular and notices to its Exchange/Clearing Participants/Members on the HKEX Market website and the LME website to inform them of new policies and procedures or changes in the Group's products and services.

To provide user-friendly access to HKEX's general information and covers information relating to all HKEX business functions. An Interactive Voice Response telephone system was launched in 2015 and continues in service, offering an effective communication channel for market practitioners and the investing public in addition to the written communication.

Education and roadshows are effective means of communicating the Group's products and services to market participants and users around the world. The Group's executives act as speakers at training courses organised by different industry associations and institutes from time to time on the Group's products and services.

Customer Privacy

In its daily operations, the Group collects personal data from its stakeholders from time to time for different purposes. HKEX recognises its responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data. Personal data is collected only for lawful and relevant purposes and appropriate steps are taken to ensure that personal data held by HKEX is accurate. The [Group's Privacy Policy Statement](#) is published on the HKEX Group website and the HKEX Group Privacy Policy is also posted on the intranet. The Group will use the personal data collected in accordance with the Privacy Policy Statement published on the [HKEX Group website](#) and the [HKEX Market website](#) and the Privacy statement on the [LME website](#).

The Group strives to protect personal data from unauthorised access and abuse. The Group's Code of Conduct sets out employees' contractual responsibility to safeguard any confidential or sensitive information to which they have had access during their employment. Seminars on "Personal Data (Privacy) Ordinance and the latest amendments" delivered by the Office of the Privacy Commissioner for Personal Data were given to employees regularly to enhance awareness on personal or business data privacy. HKEX's Enterprise Data Centre and Hosting Services attained ISO27001 information security management system certification for the purposes of protecting customer information and managing risks to information security effectively.

System Stability and Reliability

To maintain the stability and reliability of all major trading, clearing and settlement platforms and market data dissemination systems is of paramount importance for reinforcing investors' confidence in the Hong Kong financial markets. In addition to periodical technology and capacity upgrades and assessments by independent consultants, regular market rehearsals and business recovery drills are carried out to ensure system and market readiness before the launch of new products or services and prompt recovery from any system failover. Details of HKEX's market systems, including information paper and technical documents on system upgrades, are available on the HKEX Market website.

A Group Information Security Policy is in place to set out the requirements for protection of the Group's Information, IT systems and personnel, which are tightly linked to the Group's stakeholders' information security. The policy aims to minimise the Group's risk exposure including unauthorised data disclosure, system outages, and personnel safety risks that could result in business or financial loss, reputational damage, legal and regulatory liabilities and personnel harm. Various control measures are put in place to reduce the risk of cyber security threats within the Group.

Anti-competitive Behaviour

As HKEX and its exchanges and clearing houses are subject to Section 76 of the SFO, any introduction of new fees and amendment to fees is subject to the approval of the SFC. In accordance with a regulatory MOU signed between HKEX and the SFC in February 2001, any fee proposal submitted to the SFC must be supported by a comparison of the fees charged by exchanges and clearing houses in the United States of America, the UK, Germany, Singapore and Australia and such other markets as the SFC and HKEX may agree in a particular case. The MOU specifically states that the primary concern of the fee mechanism is to ensure that HKEX does not

abuse a monopoly position by charging excess or predatory fees or by otherwise discriminating against a particular participant. Except HKEX, SEHK, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited, The SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited and OTC Clearing Hong Kong Limited, all other Group companies undertaking economic activities in Hong Kong are subject to the Competition Ordinance (Chapter 619 of the Laws of Hong Kong). HKEX has issued an internal compliance manual to provide guidance on the conduct which its employees should be aware of when acting for the non-exempt entities of the Group. The LME and the UK-incorporated subsidiaries of the Group are subject to the UK competition regulation.

Public Policy

The Group keeps track of the key development of changes in public policies which may have significant impact on the Group's sustainability development and strategies and the financial industry in Hong Kong. The Group takes a neutral stance in political matters and does not make donations to any political parties.

Responsible Investment

Noting the growth of the responsible investment market and its responsibility as a company with a significant amount of investment assets, HKEX has adopted the following key principles as part of its Investment Policy and Guidelines:

- HKEX regards ESG issues of companies which it invests in as important.
- When evaluating companies for investment, HKEX will include a consideration of ESG matters in the selection of investments.
- In addition, there are specific restrictions on investments in tobacco and tobacco-related industries and in HKEX shares.

Supply Chain Management and Procurement Practices

The Group engages supply chains that reflect its values and commitment. As an infrastructure provider delivering trading, clearing and settlement, depository and nominee services, and information services along the core part of the securities and derivatives transaction chains, HKEX is essentially an Information Technology (IT)-based enterprise in a capital-intensive industry. To maintain the stability and reliability of its platforms and market systems and to build HKEX into a leading global vertically-integrated multi-asset class exchange, HKEX has invested a substantial amount of resources in developing its IT infrastructure that meets international standards.

Based on the nature of its business and strategic pursuits, HKEX's most significant suppliers are information technology and professional service providers. Other key suppliers include companies that provide services supporting HKEX's infrastructure and human resources management, and other services such as management, security, electrical and mechanical engineering, construction and renovation, media-related and insurance. Based on the location and nature of its business, HKEX acquires the majority of goods and services from suppliers and service providers in Hong Kong except when the goods and services are not available locally. HKEX's 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.

HKEX acknowledges its responsibility to manage the social and environmental consequences of its purchasing decisions. A set of Supply Chain Management guidelines, which form part of the [CSR Management System](#), has been developed to address the significant social and environmental impacts arising from HKEX's key suppliers. The guidelines advocate the collection

of CSR information from potential suppliers during the tendering process and the inclusion of environmental specifications for products and services in the tender invitation documents whenever applicable and economically viable. Key suppliers are provided with a CSR Information Pack and required to comply with basic CSR requirements according to [HKEX's CSR Policy, Corporate Suppliers Policy Statement and Supplier CSR Code of Conduct](#) included in the pack where possible and appropriate when doing business with HKEX. The requirements cover legal and regulatory compliance, business ethics (including anti-corruption), community development, human rights, labour practices, and environmental protection. HKEX's potential key suppliers will be requested to complete a CSR questionnaire to provide information on whether or not they comply with HKEX's Supplier CSR Code of Conduct, for example, whether they have any written policy covering business ethics issues such as anti-corruption, and whether they have any procedures to ensure their employees and service providers adhere to such business ethics policy and business ethics legislation. The completed CSR questionnaire will be used for evaluation of the potential key suppliers' CSR performance. HKEX's key suppliers and business partners are invited to attend seminars organised by HKEX on various CSR-related topics as part of its stakeholder engagement programme.

Climate Change Mitigation and Adaptation

The Corporate Social Responsibility Committee has the responsibility to identify and assess any significant risks and opportunities arising from climate change at a company-wide level. In addition, the Group Enterprise Risk Management Framework has been established to address risks of varying nature. As a provider of financial and information products and services, HKEX is a relatively small greenhouse gas (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 stays abreast of environment-related regulatory developments that could impact its business, supply chain and customers, and assesses the resulting risks.

HKEX has not identified any specific regulatory requirements related to climate change that present significant risks to the Group 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 Hong Kong 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. 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 risks to HKEX's trading, clearing and settlement activities, as well as provision of products and services, resulting in loss of business. HKEX has therefore established contingency plans for managing such risks. Market closure for partial days or full days due to severe tropical cyclones or rainstorms is not frequent. Nevertheless, given that the suspension of or interruption to HKEX's operation also affects a wide range of stakeholders, HKEX maintains documented contingency plans to ensure that market operations remain orderly in the event a tropical cyclone warning signal no. 8 or above or black rainstorm warning signal is hoisted, details of which are posted on the [HKEX Market 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.

HKEX has pledged support for the Hong Kong 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 Environmental Protection Department (EPD). HKEX is one of the participants of the Carbon Footprint Repository developed by the Environment Bureau for listed companies in Hong Kong to disclose its carbon

footprint data. In addition, HKEX has been responding to the CDP (a non-governmental organisation formerly known as Carbon Disclosure Project) annual information request since 2009 to contribute to improving climate risk management and promoting sustainable economic growth in the business community.

Energy Management

As indirect GHG emissions from the Group's electricity consumption is the biggest contributor to its carbon footprint, HKEX implements various energy saving and efficiency measures across its premises. HKEX's Data Centre in Tseung Kwan O, Hong Kong has been awarded the Leadership in Energy and Environmental Design (LEED) Gold Certifications for Core and Shell Development and for Existing Buildings: Operations and Maintenance from the widely respected US Green Building Council and has implemented an environmental management system and an energy management system which are certified to the internationally recognised ISO 14001 and ISO 50001 standards respectively. A number of features have been adopted to meet best practice standards for environmental protection. These include the installation of LED lighting in the office areas, high-efficiency electrical and mechanical (E&M) equipment and automatic lighting control schedule to reduce energy consumption and prevent unnecessary energy wastage, and high-efficiency water fittings to reduce potable water use. HKEX has also installed sub-meters to facilitate better reporting and management of the energy consumption of selected E&M installation in its offices.

HKEX also carries out energy audits and ensures that the relevant key types of building services installation in the Data Centre and all other office premises comply with the design standards of the Building Energy Code when major retrofitting works are carried out in future.

Paper Reduction

Paper consumption is another key environmental concern in the Group's daily operations. Internally, HKEX have implemented a number of measures to reduce office paper use and promote the reuse of waste paper. A number of electronic system or automated internal administrative processes are used to eliminate paper records, including the leave application and approval system, performance evaluation system, process for handling share options, securities declaration and approval system, salary record system, and electronic voting system at general meetings. Corporate publications, including the annual report, interim report and marketing brochures, are printed only as necessary and Forest Stewardship Council (FSC) certified or recycled paper is used as far as possible. In addition, HKEX has implemented a number of marketplace initiatives that help market participants reduce their paper consumption, eg, the eIPO services, automated stamp duty reporting and payment, and the single licensing regime. HKEX also encourages its shareholders to access HKEX's corporate communications via electronic means, which not only saves paper but is a more convenient, efficient and timely method of communication. As a note of appreciation, HKEX donates HK\$50 to a charity with a focus on environmental protection for each shareholder's election to receive corporate communications electronically, subject to a cap of HK\$100,000 per annum.

Waste Management

The Group adopts responsible waste management practices including avoidance of waste, source reduction, reuse, recycling and responsible disposal. HKEX's CSR Manual provides guidance on its 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. Recycling facilities have been made available at all offices to collect paper, plastics and metals. HKEX also collects waste power cables, electrical components, fluorescent

tubes, toner cartridges and rechargeable batteries for recycling. Used IT and electronic equipment are disposed of through the EPD's recycling and recovery of electronic and electrical equipment programmes. No significant hazardous waste was generated in view of the Group's business nature.

Since 2009, we have completed a number of waste audits across our offices to obtain more comprehensive information on the composition and quantities of waste being generated, to review the recycling practices adopted by employees, and to identify areas for improvement. The audit findings are useful for formulating our waste reduction strategy and raising awareness among employees of our waste management performance. Working together with our contractors, we continue to improve the collection and recording of waste disposal and recycling data of each office, and extend our waste recycling collection.

To join the community in combating the municipal solid waste challenge in Hong Kong, HKEX's Data Centre has signed the Food Wise Charter to show its commitment to promote and adopt best practices and behavioral changes to reduce food waste.

Water Conservation

The Group operates its business in leased office premises, with the exception of the Data Centre. The Group did not encounter any problems in sourcing water for its daily operations. HKEX conserves water at the Data Centre by harvesting and recycling rainwater for landscape irrigation, using dual flushing cisterns, automatic water tapping and excess water from cooling towers for toilet flushing.

Environmental Education and Advocacy

Environmental education and advocacy among employees encourages the adoption of environmentally responsible behaviour which helps fulfil HKEX's commitment to minimising its adverse impact on the environment. HKEX organises its own activities and encourages its employees to join external events that promote environmental protection on a regular basis.