

# Corporate and Social Responsibility Report

## CORPORATE AND SOCIAL RESPONSIBILITY

*As the controller of the exchanges and clearing houses in Hong Kong, HKEx is well aware of our corporate and social responsibilities. First and foremost, Section 63 of the SFO requires HKEx to act in the interest of the public, having particular regard to the interest of the investing public, and to ensure the interest of the public prevails if it conflicts with HKEx's own interest upon discharging its duties. HKEx also has specific responsibilities as a listed company, an employer, a service provider and a member of the community. In 2005, HKEx endeavoured to excel further in all these areas.*

### AS A LISTED COMPANY

HKEx aims to operate transparently and communicate clearly so as to ensure that the market as well as investors have a better understanding of the operating philosophy and details of HKEx. Regular quarterly, interim and annual reports are published to explain the Company's financial position and operating performance. Other periodic reports such as the quarterly newsletter "Exchange" and corporate releases are either directly despatched to the Shareholders or posted on HKEx's corporate website for easy access by the Shareholders and other interested parties. Minutes of the annual general meetings, poll voting results and corporate governance practices are also posted on the corporate website along with HKEx's Memorandum & Articles of Association.

Proactive dialogue is maintained with our investors through the Investor Relations Corner on HKEx's corporate website. Our Investor Services team is dedicated to listen to and pursue investors' suggestions. During the year, a total of about 70 investor meetings, including the first large-scale conference for retail investors, were held.

In respect of corporate governance, HKEx is committed to adopting the best practices and meeting the highest standards. Details in this area can be found from the Corporate Governance Report on page 72.

### AS AN EMPLOYER

#### Employer of Choice

HKEx's success depends on the performance and commitment of all its employees. Therefore, the organisation seeks to attract and retain the best people and motivate them to perform well. HKEx offers competitive remuneration, which includes bonuses and share awards for good performers (the Employees' Share Award Scheme was adopted by the Board on 14 September 2005, and details are set out on page 101 of this Annual Report), and we are committed to providing a positive working environment where employees' rights and interests are protected. As an equal opportunity employer, HKEx encourages all employees to develop knowledge and skills for career growth and applies human resources policies uniformly to all employees irrespective of their gender, age, nationality or grading in the organisation.

#### Training and Development

Staff development is essential to the competitiveness of any organisation. Given the growing complexity and sophistication of the marketplace, HKEx encourages and sponsors employees at all levels to participate in training and career development programmes in order to strengthen their technical and professional knowledge.

In 2005, HKEx sponsored 234 courses and organised 44 in-house programmes. The latter included training in management skills, project management, customer service, communication skills, English writing and Putonghua communication. In addition, HKEx commissioned Deloitte Touche Tohmatsu to provide a 12-day training programme to update professional staff, in particular those in the Listing Division, on the International Financial Reporting Standards. A sum of \$8 million has been set aside for staff training in 2006, an increase of one-third against that for 2005.

### **Occupational Safety and Health**

To help maintain high occupational safety and health standards, HKEx invites key personnel to attend trainings on occupational risk assessment, identifies any actual or potential hazards and risks to individuals, monitors and reviews the safety management system, performs regular audits on safety and health matters, and maintains a complete set of emergency procedures. Training courses have been organised from time to time to equip employees with the knowledge and skills to perform their duties in a safe and healthy manner. The Occupational Safety and Health Policy is included in the Human Resources Manual which is posted on HKEx's corporate website.

### **Equal Opportunities**

HKEx has adopted the Code of Practice on Equal Opportunities recommended by the Equal Opportunities Commission in Hong Kong. It is the Group's policy to eliminate discrimination, harassment and vilification in employment, to promote equal employment opportunities, and to adopt good management practices. Procedures for handling grievances are set out in the Human Resources Manual.

### **Code of Ethics**

As a designated public body under the Prevention of Bribery Ordinance and a front-line market regulator, HKEx takes a neutral stance in political matters and does not make donations to any political parties. All its employees are public servants and are also subject to the provisions of the above Ordinance. To ensure full understanding of the requirements, briefings on integrity and corruption prevention are periodically arranged for employees.

Employees at all levels are expected to perform their duties at the highest standard in respect of integrity, impartiality and honesty. They are required to comply with the Code of Conduct set out in the Human Resources Manual which governs mainly securities dealings, soliciting and accepting advantages, loans to and from business associates, conflicts of interest and confidentiality in handling information. It is also every employee's responsibility, and in the interest of the Company to ensure that any inappropriate behaviour or organisational malpractice at the expenses of the interests of the Shareholders, investors, customers and the wider public does not occur. To this end, HKEx has devised a whistle-blowing policy which is set out in the Human Resources Manual.

### **Employee Benefits**

HKEx offers its employees a comprehensive range of benefits, details of which are set out in the Remuneration Committee Report on page 94.

From 2006, free medical check-ups will be provided to employees and dependants who are aged 45 and above. HKEx has been operating on a five-day work week since 2000. This helps to promote a healthy work life for employees.

## Communication

HKEx encourages communication among all levels of the organisation to foster staff commitment to the Group. The Chief Executive regularly explains key policies and developments to executives at the Monthly Executive Forum and the Quarterly Staff Briefing. After the quarterly briefings, the material presented is posted on HKEx's Intranet for the staff's reference.

To further encourage employees to share their views on how to improve the operations and business of the Group, a Staff Suggestion Scheme was launched during the year. The aim of the Scheme is to create an environment that encourages positive thinking, stimulates novel and constructive ideas, and promotes continuous improvement and teamwork. Employees will receive a gratuity of up to \$5,000 if their suggestions are accepted. Effective communication and teamwork are strongly promoted within the organisation and employees at different grades and divisions/departments are invited to participate in various task groups or committees, e.g., employees have provided advice on the operation of the provident fund and employee benefit schemes.

## Staff Social Club

The Staff Social Club has continued to play an important role in advising the management on employee benefit initiatives and organising a wide range of activities to help increase employees' sense of belonging. Activities in 2005 included the annual dinner party, group outings, health talks, cookery lessons, wine tasting and other leisure events. A parents' club was added during the year to promote a family-friendly environment for employees with children. We also encourage our employees to participate in different sports competitions to enhance team spirit. HKEx's championships in the Public Organisations Challenge League Soccer Competition and the Supervisory Cup Basketball Competition in 2005 for respectively the third and second consecutive years were noteworthy examples of what can be accomplished through HKEx's strong teamwork.

## AS A SERVICE PROVIDER

As an exchange controller, clearing house operator and information provider, HKEx has a wide variety of customers. To meet their needs, HKEx dedicates a substantial portion of its resources to providing a quality market and quality services. Details of last year's initiatives in these areas are set out in the Chief Executive's Review on page 14.

HKEx meets from time to time with panels of experienced market participants to discuss market developments and possible changes. Major changes are proposed through consultation papers which invite market participants and other interested parties to submit their views to HKEx. Customer satisfaction and market trends are tracked by regular Cash and Derivatives Markets transaction surveys. In addition, there are periodic surveys that focus on retail investors, the primary market and the secondary market.

## AS A MEMBER OF THE COMMUNITY

HKEx strives to be a more caring company and a good corporate citizen, and encourages its employees to contribute to the community. Efforts are concentrated in three key areas – charity, the environment and the promotion of Hong Kong's role as an international financial centre.

## Charitable Activities

HKEx helped raise about \$40 million for the Hong Kong Community Chest in 2005 through the Stock Code Balloting Scheme.

Employees are also encouraged to participate in various charitable activities, such as the Hong Kong Community Chest Dress Casual Day fund raising scheme, the MTR Hong Kong Race Walking event, which raised funds for the Hospital Authority Charitable Foundation, the St James Settlement holiday food and gift collection campaigns, and visit to Po Leung Kok, a home for underprivileged children. The Hong Kong Council of Social Service chose HKEx as a Caring Company for 2005/2006 to recognise its contributions towards building a caring community spirit and cultivating corporate citizenship.



With the assistance from the Staff Social Club, a HKEx Volunteer Team has been formed in 2006 to participate regularly in charity and community services.

## Environmental Protection

Although HKEx does not operate an environmentally sensitive business, we recognise our duty to minimise the environmental impact arising from our operations. As a result, the Group always identifies opportunities to reduce and recycle the resources it has consumed. Current environmental management procedures include launching the eIPO, by which applications for shares in an IPO can be made online, recycling paper waste and IT equipment, using energy saving office equipment, and sending electronic Christmas and Lunar New Year greetings instead of posting holiday cards.

Other means of environmental protection include the implementation of e-Submission by which issuers and listing applicants can submit documents to the Exchange for processing and/or posting on the HKEx website via electronic means, and the posting of Listing Rules-related announcements by GEM issuers on the GEM website instead of paid announcements in newspapers, which arrangement will be extended to Main Board issuers (details are set out on page 35 of this Annual Report). Looking ahead, HKEx hopes to work with the SFC and market practitioners on proposals to reduce the size of prospectuses and thus decrease the use of paper.

## Promoting Hong Kong's Role as an International Financial Centre

HKEx takes advantage of every opportunity to promote Hong Kong's role as an international financial centre; for instance, through the provision of briefings and presentations in Hong Kong, the Mainland or overseas on the operation of the Cash and Derivatives Markets in Hong Kong.

In 2005, HKEx carried out massive renovation of the Trading Hall which is recognised as an icon of the Hong Kong financial market. New facilities are also constructed in the Exchange Exhibition Hall for the display of market information with an aim of improving public's understanding of the Hong Kong Cash and Derivatives Markets, and promoting Hong Kong's prominent status as an international financial centre.

On behalf of the Board  
**MAU Kam Shing, Joseph**  
*Company Secretary*  
Hong Kong, 8 March 2006