



Hong Kong Exchanges and Clearing Limited  
香港交易及結算所有限公司



# Our Commitment to Sustainable Value

2009 Corporate Social Responsibility Report

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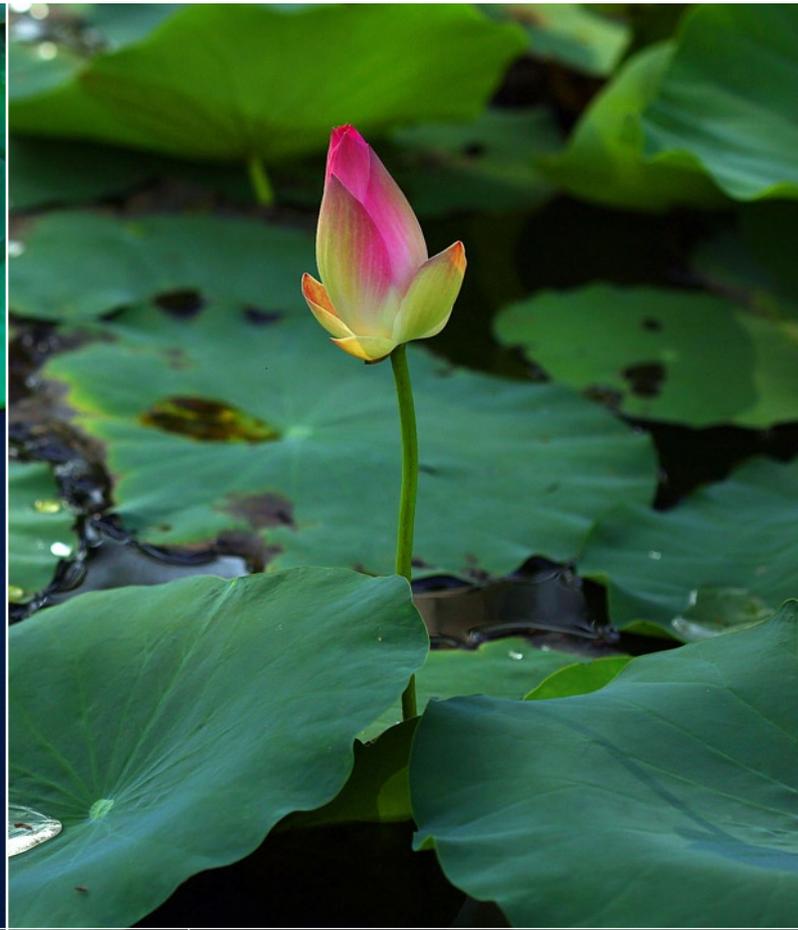
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Financial figures in this Report are expressed in HKD unless otherwise stated.

Information available online or in HKEx's 2009 Annual Report is not replicated in this Report.

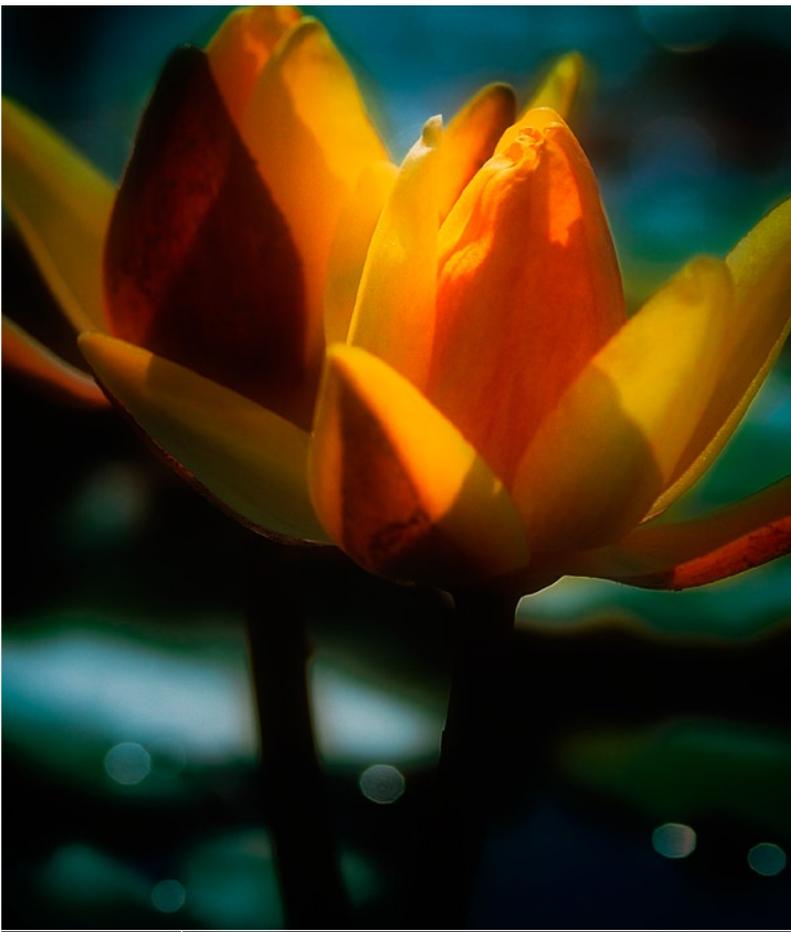
 Denotes further information is available online. Specific web links are provided.

 Denotes further information is available in HKEx's 2009 Annual Report which can be accessed at: [www.hkex.com.hk/eng/exchange/invest/finance/2009/hkex2009.htm](http://www.hkex.com.hk/eng/exchange/invest/finance/2009/hkex2009.htm).

 Denotes other sections of this Report that should be referred to.

The cover design of this Report is based on the concept of the winning design of HKEx's 2009 CSR Report Cover Design Competition which was open to all HKEx's employees and their family members, as well as the children in the 1-year Big Brothers and Sisters Mentoring Programme initiated by HKEx's Volunteer Team in partnership with a charitable organisation, The Boys' and Girls' Clubs Association of Hong Kong. A total of 17 entries were received and \$8,000 worth of book coupons were awarded to the winner and the 10 participating little brothers and sisters of the competition as a token of appreciation.

**Winner of the 2009 CSR Report Cover Design Competition:**  
**Mr Leung Kwok Yuen**  
 Brother of Ms Rebecca Leung (Secretarial Services Department)



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# About this Report

## Report Profile

This Report communicates HKEx's significant economic, environmental and social performances during the calendar year of 2009 as well as its long-term commitment to CSR. HKEx has been reporting its annual CSR performance since 2004 and published its first standalone CSR report "Our Journey to Sustainability" in March 2009 as part of its on-going pledge to enhance transparency and accountability to stakeholders. This year's CSR report "Our Commitment to Sustainable Value" depicts HKEx's progress in its journey towards creating sustainable value for its shareholders and other stakeholders.

## Report Scope and Boundary

This Report contains information that is material to understanding HKEx's CSR practices and assessing HKEx's CSR performance in its daily operations in Hong Kong as well as the business activities conducted by its representatives in Beijing, Shanghai and Guangzhou in the Mainland.

In addition to considering internal factors such as our organisational values, strategies and core competencies that contribute to sustainable development, HKEx has communicated with internal and external stakeholders, taken into account relevant laws and regulations, and considered the CSR challenges reported by other exchanges to determine and prioritise material topics within this Report. The material CSR issues are those which have or may have a significant impact on:

- Hong Kong's securities and derivatives markets;
- the environment or society now or in the future;
- HKEx's financial performance or operations; or
- our stakeholders' assessments, decisions and actions.

In preparing this Report, we used selected global, local and industry standards or best practices including the GRI Reporting Framework<sup>1</sup>, the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard<sup>2</sup>, Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong<sup>3</sup> and applicable accounting and financial reporting standards in Hong Kong. Data measurement techniques and the bases of calculations used, in particular those for compiling environmental data, are explained adjacent to the data tables. Financial data is extracted from or calculated based on HKEx's audited annual accounts for the year ended 31 December 2009.

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

## Third Party Assurance

To enhance the quality and credibility of HKEx's CSR reporting, this Report has been independently verified and achieved a GRI application level A+ which has been checked and affirmed by both the verifier as well as the GRI Secretariat.

 The assurance statement issued by the verifier is set out on page 44.

## Contact Us

Your feedback on our CSR performance and reporting is invaluable for our continual improvement. You can submit your feedback online at: [www.hkex.com.hk/eng/exchange/csr/csr\\_report/csr\\_reporting.htm](http://www.hkex.com.hk/eng/exchange/csr/csr_report/csr_reporting.htm) 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](mailto:ssd@hkex.com.hk))

<sup>1</sup> The GRI Reporting Framework (includes the GRI G3 Guidelines, 2006 and the Financial Services Sector Supplement, 2008), GRI ([www.globalreporting.org](http://www.globalreporting.org))

<sup>2</sup> The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, WBCSD and WRI, 2004 ([www.ghgprotocol.org](http://www.ghgprotocol.org))

<sup>3</sup> 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 ([www.epd.gov.hk](http://www.epd.gov.hk))

## Message from the Chairman



HKEx's sustainability is about taking a strategic and long-term journey to create shared value with our stakeholders in not just the economic, but also in the environmental and social dimensions. The global financial crisis in 2008/09 shook the foundation of the global financial sector. Moreover, it revealed severe shortcomings in corporate governance practices. Investors now demand more transparency and accountability. I strongly believe that this experience can accelerate our pursuit of sustainable business strategy and practices. Given that stakeholders nowadays increasingly turn to broader measures of business value such as impacts on the environment and the community, it is important for HKEx to not only focus on business growth but also affirm our CSR objectives and convey positively to our stakeholders our continued investment in the marketplace, workplace, community and environment as well as our long term commitment to ethical and responsible business practices.

In 2009, HKEx had worked diligently to further improve market integrity and transparency including the publication of guidance materials to enhance the transparency of the IPO application process, the completion of issuers' corporate governance practices review and financial reporting disclosures review, the modification of certain Listing Rules requirements in line with international best practices, and the launch of free real-time basic market prices website service in Hong Kong and the Mainland. Amid market turbulence, HKEx continued to function normally and provide transparent and efficient price discovery for financial assets as well as much needed liquidity during the credit crunch. I am pleased that our efforts have been recognised by *The Asset's* Triple A honours, in which HKEx was named Stock Exchange of the Year in the Transaction Banking Awards 2009 and granted the Platinum Award for All-Round Excellence in the Corporate Awards 2009. I must thank our stakeholders for their active participation in our market consultations and activities which helped ensure the effectiveness of HKEx's market initiatives and facilitate a well-informed marketplace. Building on our strengths, we are committed to establishing strong ties with our counterparts in the Mainland to further improve market efficiency and effectiveness, and to enhance China's economic development and contribution to the global economy.

To further demonstrate our social and environmental responsibility in the marketplace, we supported the Carbon Disclosure Project in 2009 for the first time by providing primary climate change data to the global marketplace and completed a public consultation on trading CER futures in Hong Kong. Having considered the market responses and analysed the current facts and circumstances, there does not seem to be an imminent demand for a CER futures market in Hong Kong. Nevertheless, we will continue to monitor developments in the Mainland and overseas markets and respond to changing market needs.

I am pleased with the progress we made during 2009 in strengthening our internal CSR management and reporting system. Solid objectives and KPIs have been set with the aim of transforming our CSR Vision into practice. An Energy Green Team has been established and a number of initiatives have been implemented to manage energy, lighting and waste across our offices. Over 90 per cent of our employees, including senior management, have attended CSR trainings. I also commend the proactive engagement with community partners demonstrated by HKEx's Volunteer Team to create lasting benefits to society through various community programmes.

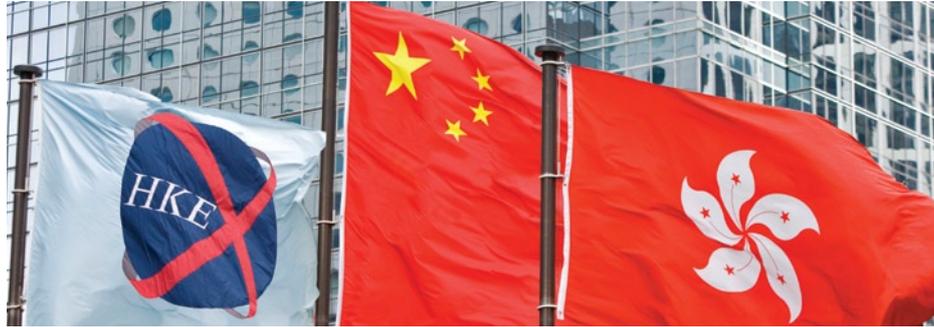
With the Board's continued support, the CSR Committee's clear direction and our employees' strong commitment, HKEx is well poised for CSR opportunities ahead. We welcome your views on our performance and this Report and look forward to your support in creating sustainable value for the Company, our stakeholders and the wider community.

**Ronald Joseph ARCULLI**

Chairman

Hong Kong, 4 March 2010

## About HKEx



### Our Business

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 HKSCC, HKCC and SEOCH. The Company was listed on the Stock Exchange by introduction on 27 June 2000 and its ownership is governed by the SFO. As at 31 December 2009, 100 per cent of HKEx's issued share capital was held by the public. The Hong Kong Government, which is not bound by the provisions of Section 61 of the SFO, held 5.85 per cent of HKEx's issued share capital as at 31 December 2009 and did not provide any financial assistance to HKEx during 2009.

[AR](#) The Group structure and HKEx's shareholding as at 31 December 2009 are set out respectively in Note 36 to the Consolidated Accounts and the Shareholding Analysis of HKEx's 2009 Annual Report.

As the exchange and clearing house operator, HKEx provides services, primarily at the wholesale level, to customers of the exchanges and clearing houses. These services comprise trading, clearing and settlement, depository and nominee services, and information services. Companies can raise funds on the Stock Exchange to expand their operations through initial listings and subsequent capital-raising exercises such as placements or rights issues. As importantly, HKEx is the frontline regulator of the central securities and derivatives marketplace in Hong Kong and plays a key role to improve a company's operations, management and corporate governance standards through regulating listed issuers and administering listing, trading and clearing rules. As at the end of 31 December 2009, HKEx provided services to 1,319 listed issuers, 495 SEHK and 167 HKFE Participants, some of whom were also clearing participants and custodians, and 213 IVs.

HKEx operates in Hong Kong. The representatives in Beijing, Shanghai and Guangzhou serve to liaise with Mainland officials and potential listing applicants. There were no significant changes in the size, structure and operations of HKEx in 2009.

[WEB](#) HKEx's organisation chart is available at [www.hkex.com.hk/eng/exchange/org/Documents/org\\_chart.pdf](http://www.hkex.com.hk/eng/exchange/org/Documents/org_chart.pdf).

### Our Economic Contribution

As at 31 December 2009, the domestic equity market capitalisation of HKEx was about USD2,305 billion, making it the 7th largest among global exchanges. The total value of share trading in 2009 was about USD1,502 billion, 11th among global exchanges.

[AR](#) Statistics on market performance are set out in the Chief Executive's Review and Business Review of HKEx's 2009 Annual Report.

### Economic Highlights

	2009	Year ended/As at 31 December			
		2008 <sup>4</sup>	2007 <sup>4</sup>	2006 <sup>4</sup>	2005
Revenue and other income <sup>1</sup> (\$ million)	<b>7,035</b>	7,549	8,602	4,174	2,712
Operating expenses <sup>2</sup> (\$ million)	<b>1,493</b>	1,621	1,412	1,211	1,145
Total assets (\$ million)	<b>45,332</b>	62,822	87,954	40,661	22,946
Shareholders' funds <sup>3</sup> (\$ million)	<b>8,027</b>	7,294	8,376	5,257	4,337
Average daily turnover value on the Stock Exchange (\$ billion)	<b>62.3</b>	72.1	88.1	33.9	18.3
Average daily number of derivatives contracts traded on the Futures Exchange	<b>206,458</b>	207,052	171,440	100,318	68,157
Average daily number of stock options contracts traded on the Stock Exchange	<b>191,676</b>	225,074	187,686	73,390	35,385

<sup>1</sup> 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 2005 to 2007, and gain on disposal of properties for the year ended 2008.

<sup>2</sup> Operating expenses attributable to HKEx's operations in Hong Kong.

<sup>3</sup> HKEx's gearing ratio was zero as at 31 December.

<sup>4</sup> Certain figures previously reported have been restated due to changes in accounting policies.

The direct economic benefits generated by HKEx are distributed to many stakeholders across a wide spectrum of the society, eg, to shareholders through dividends, to employees through salaries and other incentives, to suppliers through purchases, to the Hong Kong Government through taxes, to the financial market through fundings and to the broader society through charitable donations. We also reinvest in employee training and development, market infrastructure development as well as product and service profile enhancement in order to strengthen our operations and increase our competitiveness.

### Distribution of Economic Benefits

(\$ million)	2009	Year ended 31 December			
		2008	2007	2006	2005
Employee compensation <sup>1</sup>	<b>789</b>	799	823	651	582
Charitable donations and other community investments <sup>2</sup>	<b>0.8</b>	10.7	0.4	0.2	0.0
Dividends and interest on borrowings	<b>4,226</b>	4,607	5,548	2,267	1,200
Taxation <sup>3</sup>	<b>839</b>	823	1,013	458	239

<sup>1</sup> Employee compensation excludes training costs.

<sup>2</sup> The figures reported are different from those reported in the annual report which included donations recognised for accounting purposes only. The figure for the year ended 31 December 2008 included the donation of \$10 million for Sichuan earthquake disaster relief.

<sup>3</sup> 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.

**Awards and Recognitions in 2009**

Award/Recognition	Organisation
A constituent of the FTSE4Good Index Series (since 2005)	FTSE International Limited
<i>The Asset Corporate Awards 2009</i> Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations	<i>The Asset</i>
<i>The Asset Triple A Transaction Banking Awards 2009</i> Stock Exchange of the Year	
Best Annual Report Awards 2008 Annual Report – Gold Award (General Category)	Hong Kong Management Association
HKICPA Best Corporate Governance Disclosure Awards 2008 Annual Report – Platinum Award (HSI Category)	HKICPA
	
<i>AsianInvestor</i> 2009 Service Provider Awards Best venue in Asia-Pacific for algorithmic/electronic trading	<i>AsianInvestor</i> Magazine
Corporate Governance Ratings (highest rating: 10) Overall Global Rating: 8.0 Overall Home Market Rating: 10.0	GovernanceMetrics International Inc
5 Consecutive Years Caring Company Logo 2005-10	Hong Kong Council of Social Service
IAQ Certification Excellent Class achieved for offices at Exchange Square and PCCW Tower Good Class achieved for offices at Vicwood Plaza, One International Finance Centre, Worldwide House and Chinachem Exchange Square	EPD

## CSR Highlights and KPIs

### Key Progress in 2009 and Looking Ahead

In 2009, we made progress in a range of CSR-related initiatives and established a number of KPIs for each CSR cornerstone, aiming to transform our CSR Vision into measurable targets and to encourage our employees to be accountable for meeting these targets. The CSR Committee is responsible for tracking HKEx's CSR performance against the objectives/targets set and reviewing the annual KPIs.

### CSR Strategies and Management

Objectives/Targets set for 2009 and beyond	Timeframe*	Progress/Performance
To improve CSR reporting for transparency and accountability purposes.	ST	<ul style="list-style-type: none"> <li>The GRI G3 Guidelines were adopted for the 2009 CSR Report.</li> </ul>
To raise employees' CSR awareness and knowledge through CSR training for at least 80% of HKEx's employees.	ST	<ul style="list-style-type: none"> <li>26 CSR workshops were held for over 90% of HKEx's employees, with all levels represented, during the period between March and October 2009.</li> <li>The CSR Committee responded to over 100 CSR suggestions raised by employees during the workshops.</li> </ul>
To integrate CSR aspects into HKEx's Strategic Plan 2010-2012.	ST	<ul style="list-style-type: none"> <li>CSR principles were taken into account in the development of HKEx's Strategic Plan.</li> </ul> <p><small>WEB</small> Our mission and strategic plan are available at <a href="http://www.hkex.com.hk/eng/exchange/corpinfo/mission/mission.htm">www.hkex.com.hk/eng/exchange/corpinfo/mission/mission.htm</a>.</p>
To formalise CSR policies and principles.	ST	<ul style="list-style-type: none"> <li>HKEx's CSR Policy and Management System Framework are in place.</li> </ul> <p><small>CSR</small> Details are set out in 'CSR Management' on page 11.</p>
To set CSR objectives and KPIs.	ST	<p><small>WEB</small> CSR objectives and KPIs in each of the 4 cornerstones are defined and available at <a href="http://www.hkex.com.hk/eng/exchange/csr/csr.htm">www.hkex.com.hk/eng/exchange/csr/csr.htm</a>.</p>
To adopt and implement a CSR Management System (including an Environmental Management System).	MT	<ul style="list-style-type: none"> <li>A consultant was commissioned in mid-2009 to help establish a CSR Management System.</li> <li>The project is expected to be completed by the second quarter of 2010.</li> </ul>
To adopt a Supply Chain Management System.	MT	<ul style="list-style-type: none"> <li>A consultant was commissioned in mid-2009 to help develop a Supply Chain Management System.</li> <li>The project is expected to be completed by the first quarter of 2010.</li> </ul>

\*ST – Short-term initiative (within 1 year)

MT – Medium-term initiative (within 2 to 3 years)

LT – Long-term initiative (beyond 3 years)

## Marketplace

Objectives/Targets set for 2009 and beyond	Timeframe*	Progress/Performance
To reduce paper burden in the market.	ST to LT	<ul style="list-style-type: none"> <li>• HKEx amended the Listing Rules to streamline the filing requirements for new listing applications and listing of additional equity securities by listed issuers.</li> <li>• HKEx amended the Listing Rules to permit listed issuers to deem consent from their shareholders to have corporate communications made available to them solely via the company's website.</li> <li>• HKEx replaced the listing approval letter for structured products with electronic version.</li> <li>• HKEx started to provide the SFC with the late filings of Disclosure of Interests in electronic form after the third quarter of 2009 and is supportive of the SFC's proposal to implement mandatory electronic submission of Disclosure of Interests notices.</li> <li>• HKEx is proposing amendments to the Listing Rules to allow issuers to refer to published information in their documents instead of reproducing the same information, and to streamline the content requirements in shareholder circulars.</li> <li>• HKEx is exploring the opportunity to reduce submission of paper documents such as the term sheet provided by structured product issuers.</li> </ul>
To establish a CSR Code for listed companies.	MT to LT	<ul style="list-style-type: none"> <li>• SEHK is developing a CSR Code for listed companies.</li> </ul>
To develop trading products with an environmental theme.	LT	<ul style="list-style-type: none"> <li>• In June 2009, HKEx published a consultation paper on CER futures to seek market comments on the product concept of CER futures and the feasibility of developing a carbon emission trading platform in Hong Kong. Based on the market responses and current facts and circumstances, it was concluded that there is no imminent need for a CER futures market in Hong Kong. However, HKEx will continue to monitor the development of emission policies in the Mainland and other markets to consider revisiting the product concept of CER futures at an appropriate time.</li> </ul>
To provide a platform for trading sustainability indices.	LT	<ul style="list-style-type: none"> <li>• HKEx is closely monitoring market development in this aspect.</li> </ul>

## Workplace

Objectives/Targets set for 2009 and beyond	Timeframe*	Progress/Performance
To consider part-time work, paternity leave, and employment of the disabled.	ST to MT	<ul style="list-style-type: none"> <li>• A paternity leave of 5 days was introduced in January 2009 and 20 employees took paternity leave during the year.</li> <li>• Employment of part-time workers and the disabled will be considered as and when appropriate.</li> </ul>

**Community**

Objectives/Targets set for 2009 and beyond	Timeframe*	Progress/Performance
To set charitable donation focus and budget.	ST	<ul style="list-style-type: none"> <li>An annual budget at a constant level with a focus on community development is maintained.</li> </ul>
To establish partnerships with charitable organisations.	ST to MT	<ul style="list-style-type: none"> <li>During 2009, HKEx partnered with Hong Kong Christian Council, Hong Kong PHAB Association, Hong Kong Sheng Kung Hui, Hong Kong Youth Arts Foundation, St. James' Settlement, The Boys' and Girls' Clubs Association of Hong Kong and Tung Wah Group of Hospitals on community projects and activities.</li> <li>HKEx will continue to explore partnership opportunities with other organisations.</li> </ul>

**Environment**

Objectives/Targets set for 2009 and beyond	Timeframe*	Progress/Performance
To identify any environmental legislations or international guidelines and establish a register of legal and other environmental requirements.	ST	<ul style="list-style-type: none"> <li>A register of environmental requirements for compliance purpose was established for internal use and will be updated periodically by the relevant personnel in charge.</li> </ul>
To conduct IAQ inspection and obtain the certification.	ST	<ul style="list-style-type: none"> <li>The IAQ inspection was completed in June 2009.</li> <li>2 office premises achieved "Excellent Class" and 4 office premises achieved "Good Class".</li> </ul>
To conduct a waste audit.	ST	<ul style="list-style-type: none"> <li>A waste audit was completed in June 2009 and quick-win improvements of waste management facilities and operation have been implemented.</li> <li>A waste management guide was adopted in November 2009 and a coordinator has been assigned internally to oversee its implementation.</li> </ul>
To establish and incorporate green purchasing into the procurement guidelines.	ST	<ul style="list-style-type: none"> <li>A general principle of green purchasing was incorporated into the procurement guidelines including environmental specifications for 4 product categories.</li> </ul>
To conduct a lighting system audit.	ST to MT	<ul style="list-style-type: none"> <li>A lighting system audit was conducted for 3 office premises during 2009.</li> <li>Improvement measures will be implemented across all office premises in 2010.</li> </ul>
To establish an energy monitoring and reporting system.	ST to MT	<ul style="list-style-type: none"> <li>Energy audits were completed for 3 office premises in June 2009.</li> <li>An Energy Green Team was established in August 2009 and an Energy Manager has been assigned internally to monitor energy use and the reporting system across all offices and data centres.</li> </ul> <p> Details are set out in 'Environment' on page 40.</p>

## CSR KPIs for 2010

### Marketplace

Key Performance Indicators	2009 Performance	Target for 2010
<b>Market systems reliability</b> Operational system uptime for all major trading, clearing and settlement, and market data dissemination systems	100%	Maintain the same level

### Workplace

Key Performance Indicators	2009 Performance	Target for 2010
<b>Investment in employees</b> Training costs	\$4.8 million	Progressively increase the training budget to \$8 million
Average hours of training per employee	30 hours	Maintain the level between 25 and 35 hours
<b>Equal opportunities</b> Percentage of women employed at senior level	29%	Maintain at about the same level
<b>Occupational health and safety</b> Lost day rate	0.2	Maintain at most the same level
Absentee rate	1%	Maintain at most the same level

### Community

Key Performance Indicators	2009 Performance	Target for 2010
<b>Charitable donation</b> Total donation amount	\$0.8 million	Maintain at about the same level
<b>Volunteer effort</b> Average hours of employee volunteering per volunteer	26 hours	Maintain the level between 15 and 25 hours

### Environment

Key Performance Indicators	2009 Performance	Target for 2010
<b>Carbon footprint</b> GHG emissions	11.5 kilo tonnes	A reduction of 2%
<b>Energy consumption</b> Electricity used for office equipment and lighting across all office premises and air-conditioning controlled by HKEx	12.2 million kWh	A reduction of 2%
<b>Paper consumption</b> Paper used for office printing and copying	49.7 tonnes	A reduction of 5%

## CSR Management

HKEx's aspiration to sustainability is anchored to our overarching CSR Vision which drives us to address many complex and varied CSR issues. Our CSR Strategy is founded on 11 guiding principles set across 4 cornerstones; Marketplace, Workplace, Community and Environment, with pragmatic objectives providing guidance on the application of these principles in daily operations.

### HKEx's CSR Vision

*To be a responsible corporate citizen committed to the sustainable development of the marketplace, workplace, community and environment, and to promote the development of socially responsible practices in our marketplace and community.*

**WEB** HKEx's Core Values, CSR Strategy, CSR Policy and CSR Management Structure are available at [www.hkex.com.hk/eng/exchange/csr/csr.htm](http://www.hkex.com.hk/eng/exchange/csr/csr.htm).

### CSR Committee

The CSR Committee, with the delegation from the Board to oversee HKEx's CSR matters, is chaired by the Chief Executive and comprises 5 other senior executives. In 2009, a total of 4 CSR Committee meetings were held and monthly CSR progress reports were sent to the Board. The Chief Executive is responsible for reporting CSR matters at each Board Meeting for appropriate consideration. The Board considered and approved the CSR Committee's Report for 2009 and the budget for various CSR initiatives to be undertaken in 2010.

**AR** Details of the work done by the CSR Committee in 2009 are set out in the Corporate Social Responsibility Committee Report of HKEx's 2009 Annual Report.

**WEB** The composition and terms of reference of the CSR Committee as well as the list of members are available at [www.hkex.com.hk/eng/exchange/csr/csr\\_mgt.htm](http://www.hkex.com.hk/eng/exchange/csr/csr_mgt.htm).

### CSR Management System Framework

In November 2009, the CSR Committee endorsed a CSR Management System Framework for HKEx, which was formulated with reference to the ISO/DIS 26000 Guidance on Social Responsibility and the ISO 14001 Environmental Management Systems Standard. Under the new CSR Management System structure, a CSR Working Group comprising CSR Coordinators appointed by each division and department was set up effective 1 January 2010 to oversee the overall daily operation of the management system and implementation of CSR practices within individual division/department. Through a clearly defined management system structure with sound policies and practices, we aim to ensure compliance with CSR-related legal requirements and best practices and continual improvement under HKEx's existing CSR commitments, as well as to facilitate more efficient and effective CSR reporting. The CSR Management System will also enable us to evaluate CSR challenges and opportunities more systematically and prioritise them according to their significance. We have engaged a consultant to help develop the CSR Management System by the second quarter of 2010, after which HKEx will take ownership of the implementation, auditing and management review of the system going forward.

**WEB** HKEx's CSR Management System structure is available at [www.hkex.com.hk/eng/exchange/csr/csr\\_mgt.htm](http://www.hkex.com.hk/eng/exchange/csr/csr_mgt.htm).

### CSR Training

A series of "HKEx and CSR – Think and Work Responsibly" workshops were organised in 2009 to enrich employees' knowledge and awareness of CSR and its application in our daily operations. Over 90 per cent of employees participated in these workshops. We continue to promote CSR as an integral part of our business strategy and management approach by offering relevant e-learning courses to all employees. As part of our CSR Management System development initiative, specific training will be provided to the divisional/departmental CSR Coordinators to ensure their competency to implement HKEx's CSR policies and practices.



*"As HKEx's Chief Executive for more than 6 years and the CSR Committee's Chairman since September 2008, I am proud to say that HKEx's CSR efforts have gone from strength to strength. During this time, I have witnessed steady growth in our understanding of and commitment to CSR as well as its integration into our daily operations. Our CSR philosophy has always been about leveraging our core competencies to contribute to the sustainable development of the marketplace, workplace, community and the environment while ensuring the sustainable growth of our business. This year's highlights include taking a more strategic approach towards CSR, building a more comprehensive CSR management and reporting system, achieving a GRI application level A+ CSR Report and completing a number of important environmental initiatives at our offices and data centres.*

*My sincere gratitude to my colleagues for their commitment and hard work in pursuing HKEx's CSR Vision and I am delighted that Mr Charles Li will become the Chairman of the CSR Committee upon my retirement. Together, I am confident that they will put HKEx in a more strategic position to promote CSR in the marketplace."*

*CHOW Man Yiu, Paul  
Chief Executive and Chairman of the CSR Committee  
(up to 15 January 2010)*



*"I am impressed by HKEx's commitment to be a responsible corporate citizen and to explore collaborative opportunities with stakeholders in both Hong Kong and the Mainland for sustainable development. In particular, HKEx, as a market regulator, has a steadfast mission to promote greater understanding and commitment to sustainability among listed issuers to ensure that we could all grow in a sustainable environment.*

*With the Board's strong support and the establishment of a CSR Management System Framework including a CSR policy and a management system structure which involves participation from across the Company, I look forward to new developments in the coming year that can further demonstrate HKEx's socially responsible business behaviour."*

*LI Xiaojia, Charles  
Chief Executive and Chairman of the CSR Committee  
(effective 16 January 2010)*

## Corporate Governance

### HKEx's Dual Responsibilities

Investor confidence is vital to the success of Hong Kong as a leading international financial centre. As governed by the SFO, HKEx is responsible for operating an orderly, informed and fair marketplace for trading securities or futures contracts. In discharging its public responsibilities, HKEx shall act in the interest of the public, having particular regard to the interest of the investing public; and ensure that the interest of the public prevails where it conflicts with HKEx's interest.

 Details of HKEx's approach and measures to promote integrity, transparency and CSR in the marketplace are set out in 'Marketplace' on page 24.

On the other hand, shareholder confidence is crucial for the sustainability of HKEx as a listed company. HKEx strives to comply fully with the relevant rules, regulations and laws and pursue the best corporate governance practices. The Board is responsible for constructing an effective corporate governance framework for HKEx, monitoring the effectiveness of the framework and overseeing the implementation of adopted practices to ensure that there are appropriate checks in place to avoid any pitfalls.

### Management of Conflicts of Interest

A number of measures have been undertaken to remove or reduce any potential conflicts of interest between HKEx's roles as the exchange controller and a listed commercial entity, including, inter alia, the entering into an MOU with the SFC, the addition of Chapter 38 to the Main Board Listing Rules, and the establishment of a Conflict Committee.

In order to avoid conflict of interest when making decisions, Directors are required to adhere strictly to the relevant guidelines as set out in the Director's Handbook on disclosure of interests and potential conflict of interest. When a Director declares having a material interest in proposed transactions or issues to be discussed by the Board, he/she is required to abstain from voting on the relevant resolution and not to be counted in the quorum of the meeting. According to HKEx's Articles of Association, an interest of 5 per cent or more in the proposed transaction is considered material.

 HKEx's measures to manage conflicts of interest are available at [www.hkex.com.hk/eng/exchange/corpgov/public\\_corp\\_responsibility.htm](http://www.hkex.com.hk/eng/exchange/corpgov/public_corp_responsibility.htm).

### Corporate Governance Structure

The established corporate governance structure of HKEx provides a framework to enhance accountability to shareholders and other stakeholders and to ensure that an appropriate management structure is in place.

The unitary Board is the highest governance body of HKEx. Given the importance of achieving a proper balance between public and corporate interests, the Board has a unique structure characterised by having only 1 executive director, who is also the Chief Executive, and 12 independent non-executive directors, including the Chairman, as governed by Article 90 of HKEx's Articles of Association and Section 77 of the SFO. The independence of non-executive directors is assessed according to the factors set out in Rule 3.13 of the Main Board Listing Rules. To avoid concentration of power and control, the positions of Chairman and Chief Executive are segregated and each plays a distinct role but complement each other.

The Board is responsible for shaping and deciding HKEx's policies, while the Executive Committee and the Senior Management Committee carry out daily management responsibilities. In addition, a total of 7 advisory committees have been appointed by the Board, namely, the Audit Committee, CSR Committee, Investment Advisory Committee, Nomination Committee, Panel Member Nomination Committee, Remuneration Committee and Risk Management Committee (a statutory committee), to perform specific roles and responsibilities.

Although HKEx does not have formal processes for evaluating the performance of the Board, the Nomination Committee is responsible for reviewing Board membership, leading the process of identifying and nominating suitable candidates to stand for election, assessing the independence of non-executive Directors and making recommendations to the Board on succession planning for the Chairman and the Chief Executive. The AGM provides a direct communication platform for shareholders to exercise their rights to raise questions about the performance of the Board and HKEx, approve key corporate actions and participate in key corporate governance decisions, such as election of Board members.

**WEB** Details of the corporate governance structure and the 2009 Corporate Governance Report are available at [www.hkex.com.hk/eng/exchange/corpgov/corporate\\_governance.htm](http://www.hkex.com.hk/eng/exchange/corpgov/corporate_governance.htm).

## Risk Management

Pursuant to the SFO, the Board established the Risk Management Committee which is vested with the macro-responsibility to (i) formulate policies on risk management matters relating to the activities of HKEx, including the Stock Exchange and Futures Exchange and their respective clearing houses, and to submit such policies to the Board for consideration; (ii) review and assess policies employed by HKEx pertaining to significant risk areas; and (iii) advise on matters raised by the Board and the management that may have an impact on the stability and integrity of the securities and derivatives markets of Hong Kong.

On the operational level, the Risk Management Division plays a proactive role in assessing risks and making recommendations on risk management measures as part of operational planning when there are new or significant changes in market systems or practices and for the development and introduction of new products and services. It comprises 3 departments which deal with different risk aspects, including counterparty risks of the cash and derivatives clearing houses, enterprise risk management framework and policies, market surveillance and enforcement, and EPs' financial and operational capability.

In addition, the Board, through the Audit Committee, considers the recommendations of the external auditors on the operational and financial risks identified during their annual audit of HKEx.

## Code of Conduct and Compliance

HKEx, as the exchange controller, is named in the Schedule to the Prevention of Bribery Ordinance (Chapter 201 of The Laws of Hong Kong) as one of the Public Bodies governed by the Ordinance. All employees of HKEx are therefore public servants for the purpose of the said Ordinance and are subject to its provisions. The solicitation or acceptance of any advantage given on account of any act performed by a public servant in his/her public capacity may render him/her liable to prosecution under the Ordinance.

The Director's Handbook, issued to Directors and committee members, is formulated and updated periodically in accordance with the Main Board Listing Rules and applicable laws. All Directors are obliged to observe all relevant statutory requirements which are summarised in the Director's Handbook. The Guidelines on Conduct within the Director's Handbook provide guidance regarding soliciting, offering and accepting advantages. Additionally, HKEx has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. All Directors are required to confirm whether they have complied with the Model Code throughout each financial year. HKEx's employees are required to comply with the Code of Conduct, as set out in the Human Resources Manual, which is no less stringent than the Model Code and is reviewed from time to time to ensure compliance with the prevailing statutory and regulatory requirements. Any non-compliance may result in summary dismissal.

**WEB** The Director's Handbook is available at [www.hkex.com.hk/eng/exchange/org/boardirect/Documents/Handbook\\_website.pdf](http://www.hkex.com.hk/eng/exchange/org/boardirect/Documents/Handbook_website.pdf).

**WEB** The Code of Conduct, including the ethical and legal responsibilities of employees, is available at [www.hkex.com.hk/eng/exchange/org/Documents/HR\\_Manual.pdf](http://www.hkex.com.hk/eng/exchange/org/Documents/HR_Manual.pdf).

In 2009, 2 briefings on “Integrity and Corruption Prevention” by the ICAC were arranged for our employees to ensure that all employees, especially new recruits, are familiar with the relevant laws and regulatory requirements. A total of 80 per cent management and 75 per cent non-management employees had participated in anti-corruption trainings. A whistle-blowing policy is in place to facilitate internal reporting by employees on any malpractices. During 2009, there was a whistle-blowing incident which revealed an employee’s misconduct and the employee left the Company consequently.

A compliance checklist is in place to ensure HKEEx’s compliance with the CG Code of the Main Board Listing Rules. Throughout 2009, HKEEx 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 election or re-election by shareholders as their appointments are governed by Section 77 of the SFO and HKEEx’s Articles of Association respectively. The Internal Audit Department monitors, reviews and ensures the execution of and compliance with HKEEx’s established policies, procedures, rules and manual by the employees. No breaches were noted in 2009.

 The compliance checklist which summarises HKEEx’s compliance with the CG Code is available at [www.hkex.com.hk/eng/exchange/corpgov/documents/compliance checklist.pdf](http://www.hkex.com.hk/eng/exchange/corpgov/documents/compliance%20checklist.pdf).

### Handling Price Sensitive Information

*“HKEEx is committed to complying with the disclosure requirements of the Main Board Listing Rules and upholding best practices in order to prevent inadvertent or selective disclosure of price sensitive information or potential price sensitive information, and to ensure that shareholders and the public are provided with full, accurate and timely information of HKEEx’s activities and its financial condition. In mid-2009, the Board approved the Continuous Disclosure and Communication Policy which serves to provide guiding principles, practices and procedures to assist HKEEx’s employees in relaying potential price sensitive information to the Board to enable it to make timely decisions on disclosure, if necessary, and communicating with HKEEx’s stakeholders, in ways which are in strict compliance with the Main Board Listing Rules and best practices.”*

**Joseph Mau**

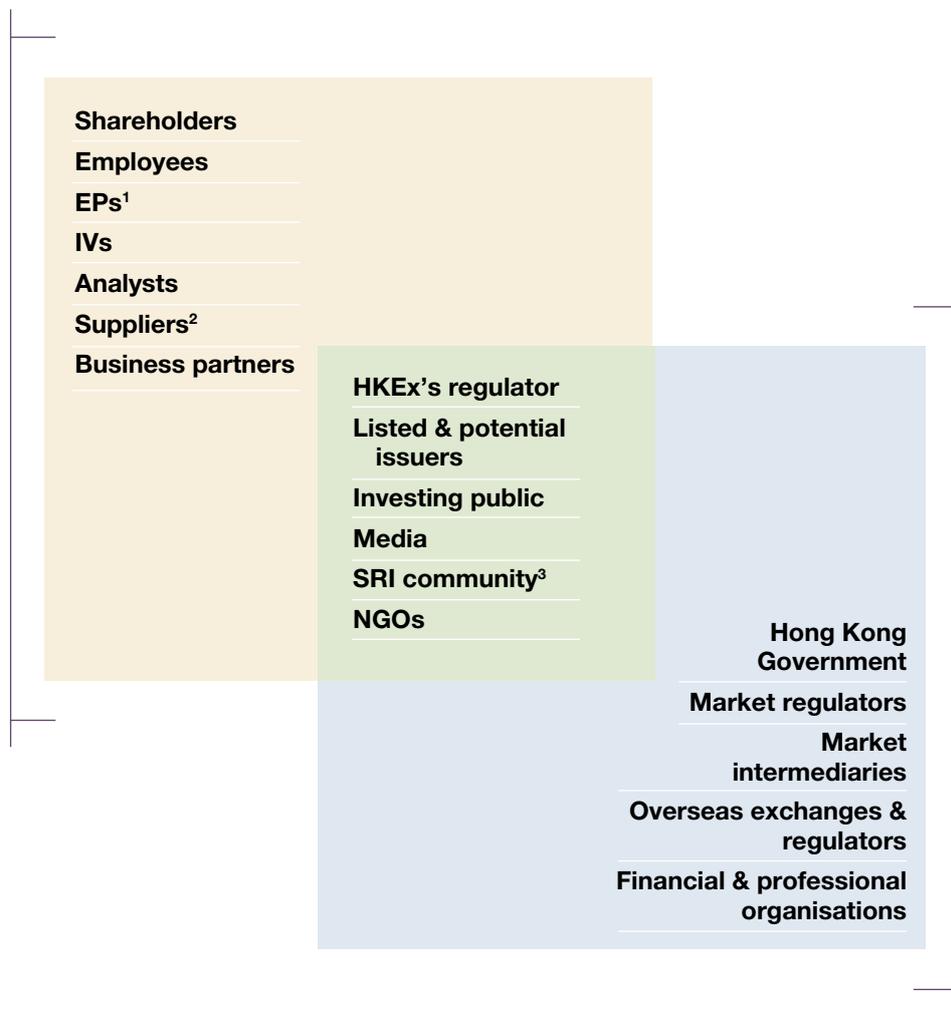
*Company Secretary and member of the CSR Committee*

 The Continuous Disclosure and Communication Policy and the related reporting framework are available at [www.hkex.com.hk/eng/exchange/org/Documents/HR Manual.pdf](http://www.hkex.com.hk/eng/exchange/org/Documents/HR%20Manual.pdf).

## Stakeholder Engagement

HKEx's success as an exchange controller as well as a listed issuer is largely based upon the support of its stakeholders. The possible impact on different stakeholder groups and their likely reaction are always considered before decisions are made. Individual divisions and departments within HKEx are responsible for identifying stakeholders and determining the appropriate form of engagement based on their level of interests and influence on our business development and daily operations. In order to achieve a balance of our stakeholders' interests, we engage with each stakeholder group separately to understand their needs, expectations, and concerns regarding our services and products, as well as their views on HKEx's activities. Our engagement practices, as set out in the tables below, help to assess and manage the impact of our operations on the Hong Kong community, eg, by inviting the public to participate in our market consultations, engaging in particular the investing public to improve financial literacy, and maintaining regular dialogue with market regulators and financial and professional organisations to promote market integrity and transparency. We record and review the outcomes of our engagement activities and take appropriate follow-up action in order to maintain and further develop our relationships with stakeholders.

The following diagram shows the stakeholder groups that HKEx engages with as an exchange controller and/or a listed issuer.



Stakeholders of HKEx as a listed issuer

Stakeholders of HKEx as both a listed issuer and an exchange controller

Stakeholders of HKEx as an exchange controller

<sup>1</sup> Including custodian participants, CPs and IPs

<sup>2</sup> Including service providers

<sup>3</sup> Including corporate governance and sustainability rating agencies

In 2009, the frequency and types of stakeholder engagement undertaken by HKEx and the outcomes that significantly influenced our business and CSR performance are summarised below.

**Shareholders**

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Held the 2009 AGM on 23 April 2009.</li> <li>• Issued circulars and made announcements as and when required under the Main Board Listing Rules.</li> <li>• Updated HKEx's corporate information promptly on the HKEx website.</li> <li>• Published quarterly newsletter <i>Exchange</i> and status report on new products and market development initiatives.</li> <li>• Published quarterly, interim and annual reports.</li> </ul>	<ul style="list-style-type: none"> <li>• To consider and approve ordinary businesses including receipt of audited accounts, declaration of dividends, election of directors and appointment of auditor.</li> <li>• To provide a forum for shareholders to raise questions about the performance of the Board and HKEx.</li> <li>• To provide information required to be brought to the attention or action of shareholders in a timely manner.</li> </ul>	<ul style="list-style-type: none"> <li>• All publications are presented in plain language to ensure clear and effective communication.</li> <li>• The HKEx website is made available in English/traditional Chinese/simplified Chinese versions to engage a wider audience.</li> </ul>



**Employees**

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Held orientation programme for new recruits.</li> <li>• Conducted monthly executive forums and quarterly employee briefings by the Chief Executive.</li> <li>• Held 26 CSR workshops between March and October 2009 for over 90 per cent of HKEx's employees.</li> <li>• Conducted annual performance reviews.</li> <li>• Held 21 employee exit interviews.</li> </ul>	<ul style="list-style-type: none"> <li>• To introduce HKEx's Code of Conduct and company rules and explain employees' rights and obligations.</li> <li>• To communicate the strategic plan, financial results and developments of HKEx.</li> <li>• To raise employees' CSR awareness, explain their roles in achieving HKEx's CSR objectives, and collect their feedback on HKEx's CSR performance.</li> <li>• To facilitate employees' continual improvement of performance as well as professional and personal development.</li> <li>• To obtain employees' views before their departure as a source of information for organisation improvement.</li> </ul>	<ul style="list-style-type: none"> <li>• The CSR Committee responded to over 100 CSR suggestions raised by employees during the workshops, which were posted on the HKEx Intranet.</li> <li>• Professional and personal development goals were set and performance against these goals was measured.</li> <li>• The award of discretionary performance bonus and salary increase was principally based on the results of performance reviews.</li> <li>• Feedback collected from exit interviews with 21 departing employees indicated that 100 per cent of the employees were satisfied with the employment benefits and over 90 per cent were satisfied with training and development, work environment and career advancement. For continuous improvement, HKEx encouraged and sponsored more training and education for employees and promoted work-life balance practices.</li> </ul> <p> Details are set out in 'Workplace' on pages 33-35.</p>

## EPs (including custodian participants, CPs and IPs)

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Sent 892 confirmation requests to selected CPs and IPs (covering 100 per cent of the CPs of the 3 clearing houses and 1 per cent of the IPs).</li> <li>• Held 8 Consultative Panel meetings with representatives of EPs (2 related to Cash Market; 4 Derivatives Market and 2 Clearing).</li> <li>• Conducted 9 market consultations on HKEx's proposals.</li> <li>• Organised 99 EP briefing sessions and seminars on cash and derivatives products and services for over 8,000 attendees.</li> <li>• Made regular visits, issued circulars and newsletters, and set up dedicated hotlines.</li> </ul>	<ul style="list-style-type: none"> <li>• For the CPs and IPs to report directly to HKEx's Internal Audit Department on any discrepancies noted in their positions and balances maintained with the clearing houses.</li> <li>• To discuss and follow up on specific risk management or surveillance issues as well as HKEx's proposals and initiatives.</li> <li>• To collaborate on marketplace enhancement initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• No discrepancies in the positions and balances maintained with the clearing houses were reported by the CPs and IPs.</li> <li>• Extended DCASS report retrieval time and provided new online function to support position closing in DCASS.</li> <li>• Improved reporting and enhanced enquiry function in CCASS.</li> <li>• Completed the soft consultation on HKEx's proposed T+2 Finality arrangement and subsequently issued a market consultation paper on 27 November 2009.</li> <li>• Streamlined the provision of EP information and the submission of daily ETF information by ETF issuers to further facilitate EPs' operations.</li> <li>• Block trade facility and position limits are being reviewed according to the derivatives market requirement.</li> </ul>

## IVs

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Held over 50 meetings, organised 2 seminars and issued over 100 notices.</li> <li>• Conducted annual inspection programme covering more than 60 per cent of HKEx's total revenue from IVs.</li> </ul>	<ul style="list-style-type: none"> <li>• To communicate the latest corporate initiatives and technical updates on various market data systems in order to facilitate our understanding of IVs' views and needs.</li> <li>• To ensure compliance by IVs with the contractual requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Officially launched the Free Real-time Basic Market Prices Website Service on 6 designated websites.</li> <li>• Simplification of the service application process is being reviewed.</li> <li>• No systemic breaches of contractual requirements were reported.</li> </ul>

## HKEx's Regulator

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Held monthly Reporting and Liaison Meetings with the SFC.</li> <li>• Maintained regular verbal and written communications with the SFC.</li> <li>• Facilitated the SFC's 2009 annual review of the Stock Exchange's performance in its regulation of listing matters.</li> </ul>	<ul style="list-style-type: none"> <li>• To review systemic and policy issues concerning the stability of the Hong Kong financial market.</li> <li>• To seek the SFC's views and endorsement regarding listing matters.</li> <li>• To seek the SFC's views and/or approval regarding regulatory and operational matters.</li> <li>• To share research experience and outputs on the financial services industry.</li> <li>• To respond to the SFC's enquiries and reminders.</li> </ul>	<ul style="list-style-type: none"> <li>• The SFC's authoritative advice on HKEx's proposals and initiatives is acknowledged as demonstrated in our Listing Committee's decision to modify the black out provisions.</li> <li>• In response to a letter issued by the SFC to advise all listed companies to observe continuous disclosure obligations under the Listing Rules, HKEx issued the Continuous Disclosure and Communication Policy in mid-2009 for compliance by the Board and employees.</li> <li>• The SFC's 2009 annual review found in the areas examined that the Stock Exchange's operational procedures and decision-making processes are appropriate to enable the Stock Exchange to discharge its statutory obligation to maintain an orderly, informed and fair market.</li> </ul>

### Listed Issuers

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Held 2 series of Listing Rules information seminars (14 in total) for an average of over 1,500 representatives from over 700 listed companies and 100 advisory firms under each series.</li> <li>• Issued consultation papers on streamlining circular requirements and review of Connected Transaction Rules and conducted soft consultations on other proposed amendments to the Listing Rules.</li> <li>• Organised regular breakfast meetings and set up dedicated hotlines.</li> </ul>	<ul style="list-style-type: none"> <li>• To obtain better understanding of practical issues or problems associated with strict compliance with the Listing Rules.</li> <li>• To ensure HKEx's rules and regulations meet market needs and avoid any ambiguities or adverse consequences.</li> <li>• To handle day-to-day listing enquiries.</li> </ul>	<ul style="list-style-type: none"> <li>• Opinions and suggestions are considered and incorporated in consultation papers as appropriate for seeking market views.</li> <li>• Amended the Listing Rules subject to market consultations, including simplifying the rules for listing applications and reducing the paperwork burden.</li> <li>• Provided market education and promoted market quality and self-compliance with the Listing Rules.</li> </ul> <p><b>WEB</b> Consultation papers, responses and conclusions are available at <a href="http://www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm">www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm</a>.</p>



One of the Listing Rules information seminars organised by HKEx for representatives from listed companies and advisory firms.

### Potential Issuers

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Conducted 23 promotional events in the Mainland and other markets including Australia and Russia.</li> </ul>	<ul style="list-style-type: none"> <li>• To facilitate potential issuers' understanding of the benefits and technical issues of listing in Hong Kong.</li> </ul>	<ul style="list-style-type: none"> <li>• Their concerns as appropriate were brought to the attention of the Listing Division.</li> </ul> <p><b>AR</b> HKEx's promotional activities are set out in the Business Review of HKEx's 2009 Annual Report.</p>

### General Public (in particular the investing public and including the media)

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Conducted 89 meetings and 27 conference calls between senior management and fund managers and/or analysts.</li> <li>• Organised 10 local and overseas road-shows/conferences.</li> <li>• Disseminated 234 news releases.</li> <li>• Handled over 3,600 media enquiries and requests for assistance.</li> <li>• Arranged 118 interviews and 23 events for news media.</li> <li>• Handled over 21,900 enquiries and 110 complaints from the public.</li> <li>• Arranged visits to the Exchange Exhibition Hall for over 24,650 visitors.</li> </ul>	<ul style="list-style-type: none"> <li>• To explain HKEx's corporate strategy, development, business operation and markets.</li> <li>• To ensure a fair assessment of the value of HKEx's shares.</li> <li>• To promote the public's financial literacy and equip investors with risk awareness and information to facilitate well-informed investment decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Officially launched the Free Real-time Basic Market Prices Website Service on 6 designated websites in response to investors' expressed concern on the accessibility of free real-time market data.</li> <li>• The HKEx website is revamped to enhance resourcefulness and user-friendliness.</li> </ul>

**SRI Community** (including corporate governance and sustainability rating agencies)

Key Engagement Activities	Engagement Objectives	Key Outcomes
Participated in: <ul style="list-style-type: none"> <li>• CSR survey II of HSI Constituent Companies of Oxfam Hong Kong;</li> <li>• Governance and Social Survey from the Ethical Investment Research Services Ltd;</li> <li>• Carbon Disclosure Project 2009; and</li> <li>• 2009-2010 Governance Policy Survey for Issuers from the RiskMetrics Group.</li> </ul>	<ul style="list-style-type: none"> <li>• To demonstrate our support for corporate governance and sustainable development and corporate climate change disclosure.</li> <li>• To measure our achievements against peers.</li> </ul>	<ul style="list-style-type: none"> <li>• HKEx was noted by ASrIA in the CDP 2009 Asia ex-Japan Report as an interesting new reporter who provided diligent responses and the only new reporter among the Asia ex-JICK 100 responding companies which provided externally verified emissions data.</li> <li>• Helped contribute to RiskMetrics Group's governance policy formulation process.</li> </ul>

**NGOs** (including interested parties)

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Held discussions on CER futures with over 50 parties including overseas and local carbon market participants, intermediaries, carbon market service providers, advisory and expert groups, and environment concerned entities.</li> <li>• Collaborated in community projects.</li> </ul>	<ul style="list-style-type: none"> <li>• To collect the relevant views on the feasibility of developing a carbon emission trading platform in Hong Kong.</li> <li>• To mobilise HKEx's employees to participate in community development.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed a public consultation on CER futures.</li> </ul> <p> Consultation papers, responses and conclusions are available at <a href="http://www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm">www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm</a>.</p> <p> Community projects are set out in 'Community' on page 39.</p>

**Hong Kong Government** (including the FSTB and Legislative Council)

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Maintained regular verbal and written communications, particularly on systemic or regulatory issues.</li> <li>• Held bi-monthly tripartite meetings between FSTB, SFC and HKEx.</li> </ul>	<ul style="list-style-type: none"> <li>• To ensure the stability of the overall financial market.</li> <li>• To ensure the sustainable development of the securities and futures markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Participated in FSTB's periodical market contingency rehearsal exercises.</li> <li>• Responded to the market contingency planning tied to the heightened concern over the risk of flu outbreak.</li> <li>• Responded to the Legislative Council's enquiries on the matters of CAS, the black out period and other listing-related matters.</li> </ul>

**Market Regulators** (including the FRC and HKMA)

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>• Maintained regular verbal and written communications.</li> </ul>	<ul style="list-style-type: none"> <li>• To seek comments from market regulators on prominent issues concerning market integrity and transparency.</li> <li>• To respond to enquiries from market regulators.</li> </ul>	<ul style="list-style-type: none"> <li>• A Board member was re-appointed to represent HKEx as a member of the FRC.</li> <li>• Signed another MOU with FRC in December 2009 regarding its funding arrangements for 2010-2014.</li> <li>• FRC's advice on issues relating to the accounting industry such as HKEx's proposal to accept Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong is being considered.</li> </ul>

**Market Intermediaries** (including law and accounting firms, underwriters, banks and share registrars)

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>Regular engagement with market intermediaries to address issues relating to listing compliance, monitoring and operations, eg, reverse takeovers and rights issue.</li> <li>Conducted 20 sessions of soft consultations with market intermediaries and 2 public consultations on streamlining the listing process and new Listing Rules for mineral and exploration companies.</li> </ul>	<ul style="list-style-type: none"> <li>To affirm the practicability of policy proposals, to find better solutions to policy issues and to avoid unexpected consequences or adverse market impact.</li> </ul>	<ul style="list-style-type: none"> <li>Comments and proposals raised are reflected in consultation conclusions and amendments to the Listing Rules as appropriate.</li> </ul>

**Mainland and Overseas Stock Exchanges and Regulators** (including the Ministry of Finance and the China Securities Regulatory Commission)

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>Organised a series of marketing events with government authorities in different provinces or cities in the Mainland, and major cities in the world.</li> <li>Made visits to Shanghai and Shenzhen Stock Exchanges and other overseas exchanges and regulators.</li> </ul>	<ul style="list-style-type: none"> <li>To promote the Hong Kong financial markets thus fostering closer relationships and support for the listing of Mainland enterprises in Hong Kong.</li> <li>To share views on market data dissemination in Hong Kong and in the Mainland leading to related cooperation opportunities.</li> <li>To exchange market knowledge and establish closer collaboration.</li> </ul>	<ul style="list-style-type: none"> <li>Signed agreements on closer cooperation with the Shanghai and Shenzhen Stock Exchanges.</li> <li>Launched the Mainland Market Data Collaboration Programme with the Shanghai Stock Exchange.</li> <li>Signed an MOU with the National Depository Center, part of the MICEX Group, an exchange operator based in Russia.</li> </ul>



**Financial and Professional Organisations** (including the HKICPA, HKICS, HKIoD, HKSI and academic researchers)

Key Engagement Activities	Engagement Objectives	Key Outcomes
<ul style="list-style-type: none"> <li>Meetings and written communications as required.</li> <li>Invitations to participate in HKEx's market consultations.</li> </ul>	<ul style="list-style-type: none"> <li>To collect comments on our proposals/initiatives, to secure support for HKEx's policy proposals, and to avoid unexpected consequences or adverse market impact.</li> </ul>	<ul style="list-style-type: none"> <li>Responses to a number of consultations were received and analysed, including the feedback on the Consultation Paper on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong.</li> </ul>

## External Initiatives

### Participation in External initiatives

Initiative / Organisation	Participation
Hong Kong Corporate Social Responsibility Charter / Community Business <a href="http://www.communitybusiness.org">www.communitybusiness.org</a>	HKEx signed the voluntary Hong Kong Corporate Social Responsibility Charter in September 2008 to demonstrate its commitment to provide leadership on CSR, integrate CSR into its organisational strategy and operations, and engage and communicate with its stakeholders on its CSR strategies and policies in a manner relevant and appropriate to its business.
Carbon Reduction Charter / EPD <a href="http://www.epd.gov.hk">www.epd.gov.hk</a>	HKEx pledged to support the reduction of GHG emissions by signing the voluntary Carbon Reduction Charter in September 2008.
Carbon Disclosure Project 2009 (CDP7) <a href="http://www.cdproject.net/index.asp">www.cdproject.net/index.asp</a>	HKEx was a first time reporter and one of the 13 Hong Kong respondents of CDP7, the mission of which is to collect and distribute high quality information that motivates investors, corporations and governments to take action to prevent climate change.

HKEx also participated in surveys of various corporate governance and sustainability rating agencies thereby enabling the Company to benchmark its CSR performance against other companies and seek further improvements in its CSR initiatives.

 The surveys are set out in 'Stakeholder Engagement' on page 20.



Bryan Chan, Head of Information Services (second from right), participated in a panel discussion during the Asia Pacific Financial Information Conference held in Hong Kong.



Paul Chow (eighth from right) as the Chief Executive represented HKEx as the Vice-chairman of World Federation of Exchanges with other Board members of the Federation.

## Membership in Organisations

Organisations	HKEx's role and involvement
<p>Asia Pacific Central Securities Depository Group ("ACG")</p> <p><a href="http://www.acgcsd.org">www.acgcsd.org</a></p>	<p>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.</p>
<p>The Global Association of Central Counterparties ("CCP 12")</p> <p><a href="http://www.ccp12.org">www.ccp12.org</a></p>	<p>The Head of Risk Management represents HKEx as a CCP 12 member representative and as a member of CCP 12's Executive Committee.</p>
<p>Companies Registry of the Hong Kong Government</p> <p><a href="http://www.cr.gov.hk">www.cr.gov.hk</a></p>	<p>The Chief Executive represented HKEx as an ex-officio member of the Standing Committee on Company Law Reform up to 15 January 2010. The Head of Listing represents HKEx effective 1 February 2010.</p>
<p>Hong Kong Securities Institute ("HKSI")</p> <p><a href="http://www.hksi.org">www.hksi.org</a></p>	<p>The Head of Listing Operations and the Head of Research and Corporate Development represent HKEx as a member of the HKSI Board and a member of the Research Committee respectively.</p>
<p>Intermarket Surveillance Group ("ISG")</p> <p><a href="http://www.isgportal.org">www.isgportal.org</a></p>	<p>The Head of Risk Management represents HKEx as a member of ISG. HKEx maintains a good track record of cooperation with ISG and its members and compliance with its principles.</p>
<p>Software &amp; Information Industry Association ("SIIA")</p> <p><a href="http://www.sii.net">www.sii.net</a></p>	<p>HKEx is a member of the Financial Information Services Division of SIIA and was a co-host sponsor of the Asia Pacific Financial Information Conference held in Hong Kong in 2009.</p>
<p>The Asian and Oceanian Stock Exchanges Federation ("AOSEF")</p> <p><a href="http://www.aosef.org">www.aosef.org</a></p>	<p>HKEx is a member of AOSEF and participates in the General Assembly and Working Committee.</p>
<p>World Federation of Exchanges ("WFE")</p> <p><a href="http://www.world-exchanges.org">www.world-exchanges.org</a></p>	<p>The Chief Executive represented HKEx as the Vice-chairman of WFE up to 31 December 2009. The Chairman took over the vice-chairmanship effective 1 January 2010. The Head of Corporate Communications is a member of the WFE Working Committee.</p>

## Marketplace

Our primary goal is to help build a sustainable financial market in Hong Kong so as to strengthen Hong Kong's role as an international financial centre. This is directly in convergence with our shareholders' interest in achieving sustainable profit growth. Internally, we are committed to enhancing the reliability of our trading, clearing and settlement platforms and information dissemination systems, and maintaining business practices that are fair, ethical and responsible. Externally, we dedicate time and resources to promote integrity, transparency and CSR in the marketplace, which includes our supply chain, and to introduce quality and responsible products and services that meet evolving market demands.



### Reliability, Availability and Stability of Market Systems

While 100 per cent operational system uptime was maintained throughout 2009, we continue to upgrade the technology and capacity of our major trading, clearing and settlement, and market data dissemination systems in order to support growing market activities and to ensure market systems reliability, availability and stability. A sound IT governance framework is in place for IT risk management, IT and business alignment review, as well as IT process standardisation and alignment with industry best practices. Independent assessments on core mission critical systems are conducted annually such as the independent review of derivatives trading, clearing and PRS systems in 2009. Market rehearsals and business recovery drills are carried out regularly to ensure system and market readiness before the launch of new products/services and prompt recovery from any system failover.

### Market Rehearsals and Business Recovery Drills

Type of rehearsal/drill	Frequency	Date
Data centre disaster and recovery drill for: AMS and MDF	Annually	July 2009
EDS	Annually	July 2009
HKATS, DCASS and PRS	Bi-annually	March and September 2009
CCASS	Annually	November 2009
Business continuity drill for CCASS and DCASS	Biennially	December 2009
Failure scenario drill with Hang Seng Indexes Company Limited	As required	May 2009
Market rehearsal for: PRS	As required	April and August 2009
MDF	Bi-annually	June and December 2009
AMS/3 and MDF	As required	October, November and December 2009

 Details of the capacity and technology upgrades of IT systems in 2009 are set out in the Business Review of HKEx's 2009 Annual Report.

### Market Integrity and Transparency

HKEx is committed to working closely with the SFC, the principal regulator of Hong Kong's securities and derivatives markets, to administer the laws governing the markets, and to facilitate and encourage the development of the markets. Bi-monthly tripartite meetings between the SFC, FSTB and HKEx are held to consider market regulatory issues and matters affecting the development of the markets. HKEx also responds to the Legislative Council's enquiries on matters such as CAS and black out period.

As the regulator of listed issuers, HKEx plays an active role in introducing policies that promote sound corporate governance in the marketplace so as to secure market confidence and to protect investors. The Listing Rules are refined from time to time to ensure a level-playing field for all market participants. SEHK has closely monitored the performance of listed issuers in complying with the CG Code. In February 2009, SEHK published the findings on its third review of corporate governance practices as reported by 1,213 issuers in their 2007 annual reports, which revealed continued improvements. Many listed issuers have chosen not only to comply with the code provisions but also adopted many of the recommended best practices.

 The Analysis of Corporate Governance Practices Disclosure in 2007 Annual Reports is available at [www.hkexnews.hk/reports/corgovpract/CG\\_Practices\\_2009\\_E.pdf](http://www.hkexnews.hk/reports/corgovpract/CG_Practices_2009_E.pdf).

To promote higher standards of financial disclosure by listed issuers, HKEx also published the Financial Statements Review Programme Report in June 2009, which contained key observations and findings on its review of 100 financial reports released by listed issuers in 2007 and 2008.

 The Financial Statements Review Programme Report 2009 is available at [www.hkex.com.hk/eng/rulesreg/listrules/listguid/documents/frm2-09.pdf](http://www.hkex.com.hk/eng/rulesreg/listrules/listguid/documents/frm2-09.pdf).

As part of our commitment to market integrity, we support the establishment and operations of the FRC, which is an independent statutory body established for the purposes of handling complaints and conducting investigations and enquiries into audit irregularities and non-compliances with financial reporting requirements in relation to listed entities in Hong Kong. Our Director, Dr Moses M C Cheng, has been nominated to represent HKEx as a member of the FRC since its establishment in December 2006. HKEx has made an annual contribution of \$2.5 million to the FRC since 2007 and a further commitment of \$4.0 million for 2010 with an increase of 5 per cent per annum from 2011 to 2014, inclusive.

Our risk management abilities also serve to maintain market integrity and stability. During 2009, HKEx, pursuant to the MOU signed with the SFC on market surveillance matters, referred 112 cases to the SFC for it to conduct the appropriate enquiries or investigation.

 Details of HKEx's risk management structure are set out in 'Corporate Governance' on page 14.

We participate in and sponsor various activities every year with the aim of encouraging the investing public, listed issuers and other market participants to contribute positively to the healthy growth of the financial markets of Hong Kong.

### Corporate Governance Promotional Activities in 2009

Event	Organiser	Role of HKEx
Asian Financial Forum (January 2009)	The Hong Kong Government and the Hong Kong Trade Development Council	Participating organisation
Hong Kong Corporate Governance Excellence Awards 2009	Chamber of Hong Kong Listed Companies	Supporting organisation
Annual Conference 2009	Hong Kong Investment Fund Association	Supporting organisation
Directors of the Year Awards 2009	HKIoD	Co-organiser
Listing Rules on Internal Control Seminar (March 2009)	China Southern Locomotive	Speaker
Presentation on Corporate Governance (April 2009)	Thailand Stock Exchange	Speaker

### Other Services for Market Interest in 2009

- Introduced a Free Real-time Basic Market Prices Website Service to allow 6 designated websites to disseminate free real-time basic market data to promote public access to market data.
- Conducted the following surveys to collect views on investor activities and behaviour, and published the survey findings and other research articles on the HKEx website and our quarterly newsletter *Exchange* to enrich the public's understanding of the prevailing securities and derivatives market conditions.
  - Cash Market Transaction Survey 2007/08 (February 2009)
  - International Dimension of HKEx's Derivatives Market (April 2009)
  - HKEx Callable Bull/Bear Contract Market (July 2009)
  - International Dimension of HKEx's Securities Market (October 2009)
  - Derivatives Market Transaction Survey 2008/09 (November 2009)
- Continued the Stock Market Information Donation Programme under which the Exchange Library donates listed issuer documents and market information to 3 public libraries and 10 universities and technical college libraries in Hong Kong to provide wider access to the information. The Exchange Library also donated to the Hong Kong Government's Public Records Office a microfilm set of the former stock exchange's archives.
- 50 per cent discount is offered to academics in the subscription of historical securities market data. Online payment and download is available for easy access.
- Opened up Clearing Agency Participantship to overseas clearing houses and central depositories for custody of Hong Kong listed securities to support the trading activities of their market participants in the Hong Kong market, thereby allowing their account activities to be managed electronically through CCASS terminals installed overseas in their own jurisdictions.

### Our Initiative to Reduce EPs' Counterparty Risk

*"At present, securities trades on the Exchange are settled on T+2 basis but the money settlement, which is conducted by HKICL, is only completed in the morning of T+3. Hence, HKSCC and CCASS Participants with money receivable positions are exposed to counterparty risk for 1 business day. Such risk has grown with the significant increase in trading turnover over the past few years and is expected to grow further. The failure of Lehman Brothers also raised the concern of our CCASS Participants in respect of these settlement instructions since the counterparty risk of these transactions are borne by the Participants themselves. With the support of the HKMA and HKICL, HKEx has proposed a T+2 Finality Model designed to reduce counterparty risk currently borne by HKSCC and CCASS Participants, and to bring Hong Kong into line with other major overseas securities markets, including Australia, Germany, Singapore, the UK and the US, where finality of securities and money settlement are on the same business day. A consultation paper on this proposal was issued in November 2009 and we welcome market feedback and encourage CCASS Participants and Designated Banks to participate in the consultation."*

*Derrick Fung  
Head of Clearing*



### Product and Service Responsibility

Before any market initiative is recommended, the relevant HKEx business unit will conduct a cost-benefit analysis which takes into account, inter alia, the potential impact on various participants and the market. Other than soliciting views from the relevant Consultative Panels which comprise selected representatives of market participants and industry experts, reference is also made 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 website for the public's information. The HKEx website also provides accessible and useful information on securities and derivatives products, including trading information and risk profiles, as well as detailed fee schedules and terms and conditions of market data subscriptions, in order to clearly communicate the economic and social impact of HKEx's products and services.

Additionally, 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. Internally, briefings are also conducted to ensure that employees understand the new products or services, 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.

**WEB** The profiles of HKEx's products and services are available on the HKEx website.

Products of the securities and derivatives markets are available at [www.hkex.com.hk/eng/prod/product.htm](http://www.hkex.com.hk/eng/prod/product.htm).

Market operations and infrastructure are available at [www.hkex.com.hk/eng/market/market.htm](http://www.hkex.com.hk/eng/market/market.htm).

Data product and publication subscription are available at [www.hkex.com.hk/eng/prod/dataproduct/dataproduct.htm](http://www.hkex.com.hk/eng/prod/dataproduct/dataproduct.htm).

Apart from our regular engagement with listed issuers, EPs and IVs to collect their views on HKEx's policies, services and products (details are set out in 'Stakeholder Engagement' on pages 18-19) which help us to assess and maintain customer satisfaction, various divisions/departments handle day-to-day enquiries and complaints from market participants, investors and the general public through dedicated hotlines and email communication. A Retail Investor Survey is carried out periodically in order to understand more about the trends and characteristics of retail participation in the stock and derivatives markets and investors' perceptions of the HKEx markets. The last survey was completed in December 2009, in which selected individuals from a random household sampling process were interviewed by telephone using a structured questionnaire. The survey results will be published in March 2010.

**WEB** The results of the survey can be viewed at [www.hkex.com.hk/eng/stat/research/research.htm](http://www.hkex.com.hk/eng/stat/research/research.htm).

### Listed Issuer Benefits from HKEx's Leadership and Services

*"As a listed issuer, my company acknowledges responsibility to adhere to the Listing Rules and keep abreast with related amendments and other listing matters. In this respect, I am pleased that, while maintaining its role as a regulator, HKEx is increasingly service-oriented as it actively engages with listed issuers and market participants to address both technical and practical issues related to listing, and to build rapport with different stakeholders. I strongly support HKEx's initiatives to promote transparency and accountability in the marketplace such as its market consultations, Listing Rules seminars, breakfast briefings led by the senior executives and activities organised by the issuer services team. My company has certainly benefited from HKEx's efforts to educate the marketplace on good governance and its insights provided during the compliance and monitoring process. I look forward to HKEx's continued effort to facilitate interactive discussions with listed issuers in the future."*

**Felix Fong**

Chief Financial Officer, China Haidian Holdings Limited

### Data Privacy

We strive to protect personal or business data from unauthorised access and abuse. Personal data is collected from customers pursuant to the Personal Data (Privacy) Ordinance as required. Unless the personal or business data is required to be disclosed pursuant to statutory or legislative requirements, prior written consent to the disclosure is sought from the relevant parties. HKEx has issued a Personal Information Collection and Privacy Policy Statement in accordance with the guidelines issued by the Privacy Commissioner for Personal Data to explain HKEx's collection and handling of personal data provided in connection with its market consultation exercises. Our Guidelines for Market Consultation Practices set out the data protection principles and procedures for all divisions and departments to follow when collecting and handling personal data in market consultations. Internally, our Trading Rules and Clearing House Rules contain the relevant provisions on personal information collection and disclosure concerning EPs and CCASS participants; and our Code of Conduct sets out employees' contractual responsibility to safeguard any confidential or sensitive information to which they have had access during their employment.

No substantiated complaint concerning customer privacy breach or customer data loss by HKEx was received in 2009.

### Investor Education and Financial Literacy Enhancement

Understanding the potential risks associated with different financial products, such as price and liquidity risks, and having access to up-to-date and comprehensive market information are essential for investment decisions. Trading statistics, rules and regulations in respect of listing, trading and clearing, market research and survey results are helpful in understanding market operations and trends. In this respect, the HKEx website serves as an effective platform to convey educational information and important messages to the public. In 2009, we began to revamp the HKEx website to accommodate more market information and make it more user-friendly. The revamped website is scheduled for launch in the first quarter of 2010. HKEx has also established a dedicated issuer website, HKExnews ([www.hkexnews.hk](http://www.hkexnews.hk)), with the aim of providing the investing public with convenient online access to issuers' published information. To further promote accessibility of information, HKEx provides publicly available/promotional materials in various languages and the Exchange Exhibition Hall, which is enriched with exhibits of the development of the financial markets, is open to the public and wheelchair accessible.

Average Daily Website Page Views



### Initiatives/Activities to Enhance Investor Education and Financial Literacy in 2009

- Supported the Investment Triathlon 2009, a competition organised by the SFC, to help investors understand financial investments and their risks.
- Participated in SFC-sponsored TV shows and provided speakers.
- Organised and sponsored various types of promotional and marketing events on product/service knowledge and strategy application.
  - Participated in Investment Expos.
  - Jointly organised 39 Continuous Professional Training courses with HKSI for over 1,200 participants.
  - Organised 26 training sessions and briefings on AMS/3 and HKATS to familiarise EPs with trading devices and relevant rules and procedures.
  - Conducted joint promotional seminars with EPs for their clients to promote understanding of derivatives products and their applications.
- Market making obligations of market makers for individual ETFs and educational materials on the potential risk areas that market participants may face when trading different product classes of Hong Kong listed securities are posted on the HKEx website.
- Launched the Mainland Market Data Collaboration Programme with the Shanghai Stock Exchange to promote access of market data by allowing redistribution of each other's basic real-time market data on companies dually listed in the 2 markets to their own authorised IVs for onward transmission to their subscribers for internal display purposes. Information on this Programme is available on the HKEx website.

 Details of participant training and market education are set out in the Business Review of HKEx's 2009 Annual Report.

### Engaging our Supply Chain

Although we do not have a particular policy of preferring locally-based suppliers, our procurement guidelines highlight that the selection of suppliers should take consideration of, but not be limited to, price competitiveness, quality, fulfilment of specifications and logistics services. Based on the location and nature of our business, we acquire the majority of goods and services from Hong Kong suppliers and service providers 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, and audit services for overseas IVs. In order to address CSR issues in our supply chain systematically and to engage suppliers and service providers who share our CSR philosophy, we are developing a Supply Chain Management System. This will include an analysis of our key suppliers in terms of their exposure to environmental and social risks, the addition of CSR aspects to our vendor selection criteria, promotion of socially responsible corporate behaviour to our suppliers and monitoring of our suppliers' CSR performance. The project is due for completion in the first quarter of 2010.

### Risks and Opportunities of Climate Change

The effects of climate change can be seen in the more frequent occurrence of volatile weather events such as severe typhoons and black rainstorms which result in the suspension of trading, clearing and settlement activities, thus negatively affecting our business. Noting the growing concern about climate change, new business opportunities arise such as the development of a platform for carbon trading or trading in carbon emission-related derivatives products. The Board and CSR Committee have considered the risks and opportunities that climate change could present to the Company. Early in 2007, HKEx commissioned a consultant to study the possible strategies to be undertaken in response to the growing carbon emissions market. As a result, a consultation paper was issued in June 2009 to seek views from interested parties on the business feasibility of developing an emissions trading platform in Hong Kong and CER futures as a product concept with the aim of providing trading and risk transfer opportunities to CER market participants in the Asian time zone. Having considered the market responses and analysed the current facts and circumstances, HKEx considers that there is no imminent need for a CER futures market in Hong Kong. Nevertheless, HKEx will continue to monitor the development of emission policies in the Mainland and other markets to consider revisiting the product concept of CER futures at an appropriate time.

 The CER futures proposal is set out in the consultation paper available at [www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm](http://www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm).

 HKEx's approach and measures adopted to reduce its own carbon footprint are set out in 'Environment' on page 41.



## Workplace

HKEx considers its employees to be its greatest asset and strives to attract and retain the best people for the sustainable growth of the Company. We strategically align our policies and procedures to ensure that employees are treated fairly and equally, and that their rights and interests are protected, as well as to address work-life balance. We are also committed to providing opportunities for training and development, a healthy and safe workplace and effective communication channels within the Company.

 Our Human Resources Philosophy is available at [www.hkex.com.hk/eng/exchange/org/Documents/HR\\_Manual.pdf](http://www.hkex.com.hk/eng/exchange/org/Documents/HR_Manual.pdf).

### Our Workforce

A stable workforce coupled with a low turnover rate help to maintain operational efficiency, retain corporate knowledge and culture, and reduce costs associated with staff recruitment and training. To help maintain a stable workforce, over 99 per cent of our employees as at 31 December 2009 were employed on a full-time permanent basis with the remaining less than 1 per cent on temporary basis. In the past few years, our employee turnover was in a decreasing trend, dropping from 9 per cent in 2008 to 5 per cent in 2009.

The majority of HKEx's employees were based in Hong Kong as at 31 December 2009 with 10 employees stationed in the Mainland. Over 90 per cent of HKEx's senior management employees were hired from the local community.

## Workforce Indicators

	Year ended/As at 31 December				
	2009	2008	2007	2006	2005
<b>Total workforce</b>	<b>850</b>	865	837	828	804
<i>By employment type</i>					
Permanent	<b>841</b>	848	805	793	779
Temporary	<b>9</b>	17	32	35	25
<i>By region</i>					
Hong Kong	<b>840</b>	855	829	820	796
Outside Hong Kong	<b>10</b>	10	8	8	8
<b>Employee turnover rate*</b>	<b>5</b>	9	14	13	12
<b>Employee turnover</b>	<b>39</b>	76	117	104	97
<i>By gender</i>					
Male	<b>22</b>	39	65	58	45
Female	<b>17</b>	37	52	46	52
<i>By age group</i>					
Below 30	<b>17</b>	30	44	41	25
30 to 39	<b>11</b>	24	50	40	48
40 to 49	<b>7</b>	15	18	18	23
50 to 59	<b>3</b>	3	4	5	1
60 or above	<b>1</b>	4	1	0	0

\* The turnover rates for the previous years have been restated in accordance with the GRI G3 Indicator Protocol. The turnover rate was calculated by dividing the total number of employees who left the Group voluntarily or due to dismissal, retirement, or death in service during the period by the total workforce of the Group at the period end, which is different from the turnover rate disclosed in HKEx's annual reports and previous CSR reports (which was calculated by dividing the total number of permanent employees who left the Group by the average number of permanent employees during the reporting period).

## Human Rights and Equal Opportunities

As explicitly spelt out in its Human Resources philosophy, HKEx supports human rights and treats each individual employee fairly and consistently in all matters. We consider that HKEx does not operate in circumstances and environments with high exposure to risk concerning human rights. Employees' freedom of speech and association are respected as long as they are within the legal boundaries. Although we do not have formal collective bargaining agreements and a defined minimum notice period regarding significant operational changes, we have not identified any operations that constitute risk to the right to exercise freedom of association or collective bargaining, and there are a number of effective channels to inform our employees of operational changes as soon as practicable and for them to voice their views and suggestions on employment matters. 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. In 2009, no complaint on employment matters was received by the Human Resources Department.

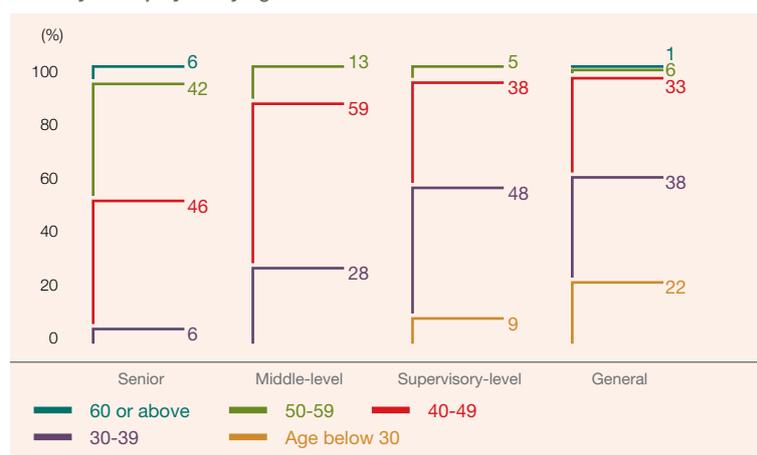
HKEx continues to observe the Codes of Practice on Employment as promulgated by the Equal Opportunities Commission in Hong Kong and to oppose any discrimination in employment on the grounds of age, gender, marital status, pregnancy, family status, disability, race, nationality or religion. Employment 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. Our Equal Opportunities Policy is stipulated in the Human Resources Manual and was updated in August 2009 to reflect the promulgation of the Race Discrimination Ordinance in July 2009. No incident of discrimination involving internal and external stakeholders or violations involving indigenous rights was reported in 2009. Due to the nature and location of our business, we do not consider our operations have any risks of incidents of child or forced labour. HKEx strictly complies with the Employment Ordinance and does not employ any persons under the age of 18. All employment with HKEx is voluntary.

We provide training to our employees, including security personnel, to equip them with practical knowledge of upholding human rights and equal opportunities at the workplace, eg, on developing effective intercultural and intergender relationships at work so as to avoid the risk of violating various discrimination ordinances, and on recruitment and selection techniques to ensure awareness and application of transparency and fairness throughout the recruitment process.

### Human Rights Training in 2009

Training on policies and procedures concerning aspects of human rights that are relevant to HKEx's operations:	
Total number of hours attended by employees	42 hours
Percentage of employees trained	5%
Percentage of security personnel attended	50%

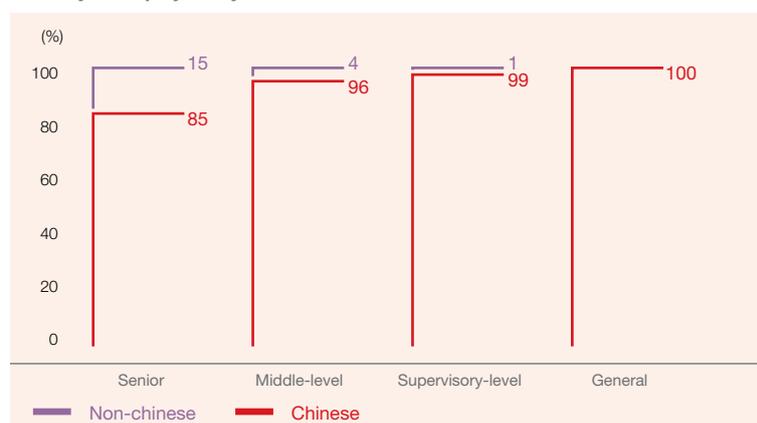
### Diversity of Employees by Age as at 31 December 2009



### Diversity of Employees by Gender as at 31 December 2009



### Diversity of Employees by Race as at 31 December 2009



[AR1](#) An analysis of the Board composition by gender, nationality and age group is set out in the Corporate Governance Report of HKEx's 2009 Annual Report.

## Training and Career Development

We encourage and support our employees to reach their full potential through training and career development. Training may take the form of sponsorship for employees to attend external training and academic programmes or in-house classes which are tailored for employees at different levels to cater for their respective job requirements. We also organise career development workshops to assist our employees in managing their learning, development and career. More than 96 per cent of our employees attended various forms of training in 2009.

### Average Hours of Training per Employee by Level

	Year ended 31 December				
	2009	2008	2007	2006	2005
Senior	22	23	20	18	25
Middle-level	33	37	31	36	34
Supervisory-level	37	28	27	36	35
General	22	17	19	25	18

### Topics of Training Classes in 2009

- Personal effectiveness
- Product and service knowledge
- Management skills
- Language skills
- IT skills
- Professional development

At HKEx, employees' performance review constitutes an essential element of career development and personal growth. The performance appraisal exercise is conducted annually in the last quarter of the year and applicable to all permanent employees who joined before 1 October of each year. The exercise provides an opportunity for employees to discuss with their respective supervisors their work performance against the goals or targets set at the beginning of the year, the problems encountered, the progress of their training plan and their personal and career development initiatives. All eligible employees participated in the performance appraisal exercise for 2009.

To recognise our employees' increased responsibilities and contributions, 14 employees (2008: 126 employees) were promoted or re-designated to take up senior positions and 3 internal transfers (2008: 6 transfers) were arranged within the organisation in 2009.



A career development workshop organised to assist HKEx's employees in managing their learning, development and career.

## Compensation and Benefits

Currently, no minimum wage level is provided under the Hong Kong laws and therefore no comparison of the entry level wage against local minimum wage can be made. However, based on statistics provided by the local universities on the starting salary of their graduates and our recruitment experience, the entry level wage at HKEx is above the median level compared to the general market. HKEx is committed to providing a competitive compensation package in the form of basic salary, incentive pay (discretionary bonus and share award), provident fund, and other fringe benefits, such as healthcare benefits (eg, medical and dental insurance and personal accident and life insurance), paid leave for various purposes (eg, annual leave, maternity/paternity leave, marriage leave, sick leave, examination leave, and compassionate leave), and education and training sponsorship. The fringe benefits are available to those employed on a full-time permanent basis only. HKEx does not operate a defined benefit plan. Instead, it operates 2 defined contribution plans, namely the Hong Kong Exchanges and Clearing Provident Fund and the AIA-JF Premium MPF Scheme.

[WEB](http://www.hkex.com.hk/eng/exchange/corpgov/remunerat/remuneration%20structure.htm) HKEx's remuneration structure is available at [www.hkex.com.hk/eng/exchange/corpgov/remunerat/remuneration structure.htm](http://www.hkex.com.hk/eng/exchange/corpgov/remunerat/remuneration%20structure.htm).

[AR](#) Details of the retirement plans are set out in Note 10 to the Consolidated Accounts of HKEx's 2009 Annual Report.

### Introduction of Paternity Leave since 1 January 2009

*"Being a first-time father, I am most grateful to the Company for establishing this arrangement which allowed me a period of paid leave to take care of my newly-born baby and provide much needed support to my spouse. In particular, I found the flexibility of the paternity leave arrangement very useful in helping me to manage the early arrival of my child. This family-friendly practice not only promotes the well-being of eligible male employees and their families but also enhances employees' sense of belonging."*

*Felix Wang*

*Vice President, Risk Management – Derivatives Clearing*

## Occupational Health and Safety

The operation of HKEx is office-based and considered relatively safe. Nonetheless, HKEx acknowledges that the existence of common occupational health and safety hazards, such as eyestrain and headaches, repetitive strain and stress injuries associated with computer use and strain and sprain injuries resulted from manual handling, should not be undermined. HKEx adheres to the principle that occupational safety and employees' health should be given first and foremost consideration at work, which is explained in the Occupational Safety and Health Policy as set out in the Human Resources Manual. The CSR Committee oversees the health and safety matters in the workplace which are monitored by the Administration Department and Human Resources Department. In 2009, HKEx had no work-related fatalities. Other relevant statistics are as follows: (i) occupational disease rate was zero; (ii) injury rate<sup>1</sup> was 0.2; (iii) lost day rate<sup>2</sup> was 0.2; and (iv) absentee rate<sup>3</sup> was 1 per cent.



HKEx's employees participated in a seminar on stress resilience for enhancing wellness and performance.

<sup>1</sup> No. of occupational injuries resulting in lost time/total workforce hours x 200,000 (in accordance with the GRI G3 Guidelines)

<sup>2</sup> No. of lost days due to occupational injuries/total workforce hours x 200,000 (in accordance with the GRI G3 Guidelines)

<sup>3</sup> No. of absentee days lost/total workforce days x 100% (in accordance with the GRI G3 Guidelines)

We sponsor medical check-ups and provide comprehensive medical coverage including eye-care programme to eligible employees and their family members. Throughout the year, over 780 employees participated in educational seminars and health talks organised by HKEx on topics such as stress resilience, emotional competence, common orthopaedic pain and medical acupuncture, osteoporosis and diet therapy, neck and upper limb pain related to office workers and clinical pilates exercise, and prevention and treatment of common sports injuries.

In response to the outbreak of the H1N1 flu pandemic, we activated our contingency plan for pandemic disease in early 2009 to ensure that the operations and business of HKEx would not be interrupted. Key components of the contingency plan include raising the hygiene standard in office areas, education of personal hygiene and disease protection, communication with all employees on the contingency measures as well as arrangements to deal with infection in the workplace should it happen. HKEx also provided a cash subsidy to all employees for taking seasonal flu vaccination.

### Employee Wellness

HKEx provides administrative and financial support to the Staff Social Club which plays an important role in organising activities to enhance employees' sense of belonging, work-life balance and team solidarity. Other than interest groups, such as the parental club and the dance club, various sports teams such as the soccer, basketball, volleyball, running, table tennis and badminton teams have been formed under the Staff Social Club. Each interest group or sport team is led by a senior executive. In 2009, the Company set aside a budget of \$750,000 (2008: \$623,000) to support the Staff Social Club activities.

#### Teaming up to Run and Raise Funds

*"The Company's increasing support to the Staff Social Club has allowed employees and their family members to organise and participate in a wide range of activities. As an active member of the HKEx Running Team, which is one of the many initiatives of the Staff Social Club, I was honoured to represent HKEx at the CENTRAL Rat Race 2009. Having participated in the Iron Rat Race in 2008, I was excited to team up with 8 other colleagues in 2009 in preparing for the race and planning our tactics to complete the route in the shortest time. With our great teamwork and determination, we secured third place in the race and helped raise \$30,000 for MINDSET. It was a rewarding experience in all aspects and I look forward to joining the race again next year."*

**Paul Ng**

Systems Analyst, IT – Cash Systems Development & Support



# Community

We pursue the development of a sustainable community by assessing and managing the social impact of our operations on the marketplace and also by supporting initiatives that create effective and lasting benefits to communities in Hong Kong and the Mainland. Going beyond corporate philanthropy, we support long-term community investment by establishing community partnerships and encouraging our employees to participate in volunteer work.

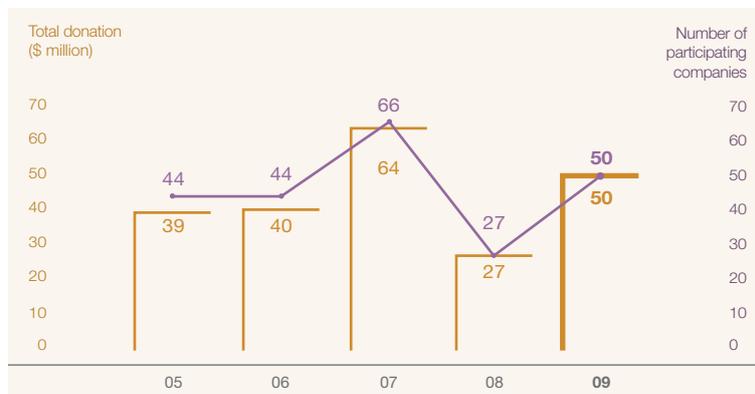
## Create Shared Benefits with the Community

Through HKEx's stakeholder engagement activities and the CSR Committee's leadership, community needs are assessed and opportunities for HKEx to provide services for public benefit and invest in the development of the local community are identified.

### Stock Code Balloting for Charity Scheme

The Stock Code Balloting for Charity Scheme was established by HKEx in 1999 with the aim of facilitating support and donations to charitable activities in our local 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, an independent non-profit making organisation which obtains donations on behalf of its member social welfare agencies and supports a wide range of welfare services locally. Since its inception, approximately \$310 million had been raised through the Stock Code Balloting for Charity Scheme.

Donation through Stock Code Balloting for Charity Scheme





### Big Brothers and Sisters Mentoring Programme

The Big Brothers and Sisters Mentoring Programme was launched in 2009 jointly by HKEx's Volunteer Team and The Boys' and Girls' Clubs Association of Hong Kong as an initiative to support child development in the local community. In this 1-year programme, 11 HKEx volunteers were matched on a one-to-one basis with children aged 8 to 12 to take part in mentoring, and 8 other HKEx volunteers participated as helpers. The programme aimed to contribute to the development of the children's personality, social exposure, self-confidence and sense of responsibility. Monthly group activities which involved visits to HKEx, the Legislative Council and MTR Kowloon Bay Depot, volunteering activities, summer camp, educational and recreational activities were organised to facilitate interaction and build rapport within the group.

#### HKEx Provides Mentorship through Partnership

*"The Big Brothers and Sisters Mentoring Programme is an excellent initiative bringing benefits to the children and their parents, HKEx and the wider community. Contributions of time and resources by the HKEx Volunteer Team throughout the year have made a real difference to the children's lives. They have learnt to build meaningful relationships with adults and other children and have become more confident and proactive individuals. Their parents are grateful for the mentorship that HKEx volunteers offered. This initiative showcases HKEx's commitment to be a responsible corporate citizen and sets a good example for the business community to follow."*

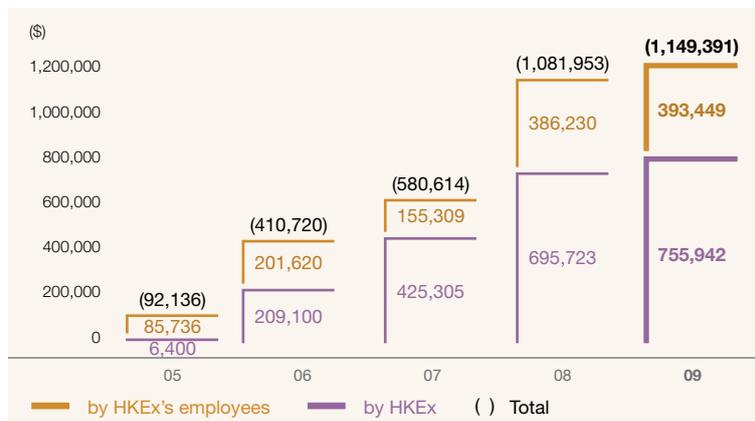
**Mak Sau Ching**

*Social Worker, Jockey Club Yau Tong Children and Youth Integrated Services Centre, The Boys' and Girls' Clubs Association of Hong Kong*

### Charitable Donations

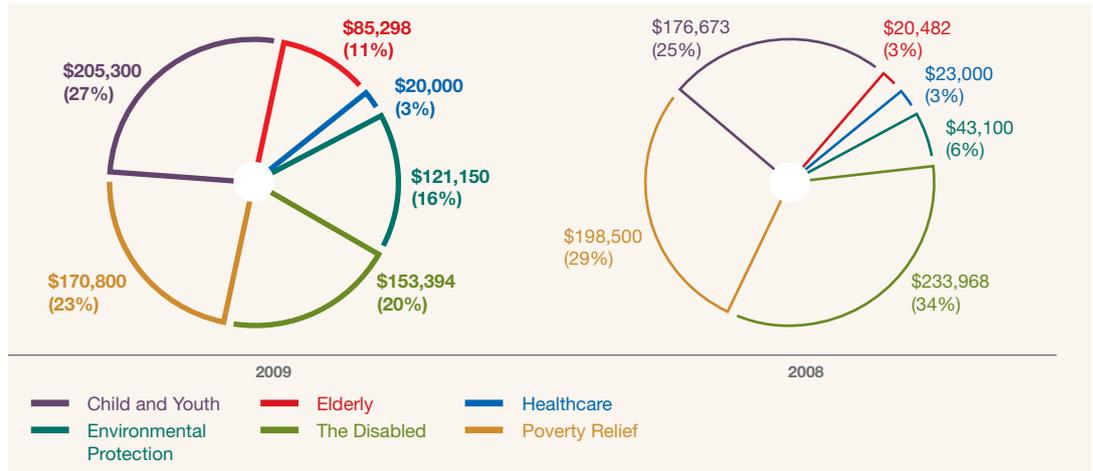
HKEx has established a set of guidelines for charitable donations which contains the evaluation criteria for expenditures under the charitable donation budget. Since 2009, the CSR Committee has had the responsibility of determining HKEx's charitable donation budget and focus on an annual basis. Every donation made by HKEx must be approved by the Chief Executive to ensure its appropriateness. To monitor the impact of its donations, HKEx may visit or have meetings with the beneficiaries to solicit feedback. In 2009, a corporate donation budget of \$800,000 was set aside for community causes including poverty relief/reduction, assistance to the disabled and elderly, children and youth development, healthcare, and environmental protection. In particular, there was an increase of 180 per cent in the amount donated to support environmental protection compared to 2008. To encourage employees' active participation in making charitable donations, HKEx had matched employees' donation on a dollar-to-dollar basis in a number of occasions.

Charitable Donations Made by HKEx and its Employees\*



\* The figures reported are different from those reported in the annual report which included donations recognised for accounting purposes only.

Breakdown of HKEx's Charitable Donations



### HKEx Supports the Sichuan Earthquake Relief Efforts

"I first came to know about the HKEx volunteers during their active participation in our fundraising programme for the Sichuan Earthquake in 2008. A year on, they again provided tremendous support for our '512 Earthquake First Anniversary Memorial Musical Concert' and 'Beichuan Middle School Students Sharing Session'. Apart from helping us to raise almost \$200,000 during these events, I was most impressed by HKEx volunteers' enthusiasm and willingness to take up unfamiliar tasks to ensure the success of the events. Seeing their personal interactions with the students, I came to realise how the lives of those living well and those living in need can impact each other positively. My hearty thanks to HKEx for supporting our initiatives and I sincerely hope that we can continue our partnership in the future."

**Jeff Kwong**

Assistant Executive Secretary, Five Loaves and Two Fish Project, Hong Kong Christian Council

### HKEx's Volunteer Team

Apart from providing administrative and financial support to the Volunteer Team for carrying out volunteering activities, the Company organises training programmes to strengthen the skills and techniques of our volunteers in delivering volunteer services. During the year, a wide range of volunteering activities were organised to serve the underprivileged, elderly and children, and also to preserve the environment. HKEx's Volunteer Team has grown to over 110 members since its establishment in 2006 as a way to serve the local community. It is encouraging to see the significant expansion of our Volunteer Team in 2009 with a 31 per cent increase in the number of team members and a 134 per cent increase in the number of volunteer hours compared to 2008.





In 2009, HKEx received the Gold Award under the Volunteer Movement, a territory wide movement jointly launched by the Social Welfare Department, Hong Kong Council of Social Service and various NGOs, in recognition of its contribution of over 1,400 hours of volunteer service to the community, and 3 employees were awarded individual Silver and Bronze Certificates.

To express appreciation to the Volunteer Team for their volunteer services and to promote employee involvement in the community, the first HKEx Annual Volunteer Recognition Ceremony hosted by the Chief Executive was held in July 2009. A total of 15 employees who committed over 100, 50 or 20 volunteer service hours in 2008 were granted the Gold, Silver or Bronze Awards respectively. Departmental Volunteer Awards and Volunteering Participation Awards were also granted to divisions/departments for their outstanding joint efforts in volunteering.

### Being Part of the HKEx's Volunteer Team

*"The Big Brothers and Sisters Mentoring Programme has been a rewarding experience for both the Volunteer Team and the children as we have developed friendships and helped each other in our personal development. For me, one memorable activity that took place in the programme was the visit to the Legislative Council and HKEx. The children had the invaluable opportunity to interview a Legislative Council Member, Hon IP Kwok-him, GBS, JP, tour the Legislative Council building and learn about its history. I was also very pleased that the children came to visit my place of work and had an enjoyable lunch together with Mr Paul Chow, our Chief Executive. He inspired the children to study hard and contribute to a better future."*

*Richard Law*  
Senior Manager, Listing – Listing Enforcement

### Major Activities of Volunteer Team in 2009

Activities	Partners/Organisers
• Tree Planting Challenge 2009	Friends of the Earth
• Lower Ngau Tau Kok Estate Home Removal Support for the Elderly Project	Hong Kong Sheng Kung Hui
• Visit to Disabled Elderly Residents in Lower Ngau Tau Kok (II) Estate	
• Sichuan Earthquake Relief Project	
• 512 Earthquake First Anniversary Memorial Musical Concert	Hong Kong Christian Council
• Beichuan Middle School Students Sharing Session	
• Dragon Boat Festival Visit to Singleton Elderly in Tiu Keng Leng and Tseung Kwan O	Haven of Hope Christian Service
• Mural Painting Project at the PHAB Pokfulam Campsite	Hong Kong Youth Arts Foundation
• New Year Warm Visit to the Elderly	St. James' Settlement
• Chinese New Year Gifts Collection	
• Fundraising and Volunteering for People's Food Bank	
• 1-year Big Brothers and Sisters Mentoring Programme	The Boys' and Girls' Clubs Association of Hong Kong
• Home Maintenance for Singleton Elderly Project	Tung Wah Group of Hospitals



## Environment

We are committed to minimising the adverse impact that our operations may have on the environment. Going beyond legal compliance, we are continually improving our environmental management practices and measures to reduce energy and other resources use, minimise waste and increase recycling. We also encourage our employees to adopt environmentally responsible behaviour and promote environmental protection in our supply chain and marketplace.

### Green Audit Initiatives

Following the general green audit conducted in late 2008 to better understand the environmental impact caused by HKEx's operations, we continued to engage a consultant in 2009 to conduct environmental reviews of specific areas, including energy consumption, lighting systems, waste management, IAQ and green procurement, in order to further improve our environmental performance. The reviews were completed in mid-2009 and a number of improvement works were implemented in the last quarter of 2009. HKEx spent \$0.4 million on the environmental reviews and \$0.5 million on lighting improvement works and green office purchases during 2009.

### The Establishment of an Energy Green Team

*"In our continuing effort to reduce the environmental impact associated with our operations, an Energy Green Team was established in August 2009 and I was pleased to be nominated as the Energy Manager to coordinate all matters related to energy, lighting and waste management across our offices. Electricity consumption is by far the largest contributor to our carbon footprint. Working with the respective landlords of our leased premises and our data centre managers, and raising awareness among employees are essential elements of our energy management process. Internally, the implementation of lighting improvement works and the circulation of a Guide for Data Centre Efficiency have been successful in improving energy efficiency. We will collaborate with Human Resources Department to encourage attitude and behavioural change among employees through appropriate training and awareness raising programmes. The energy use for air-conditioning in our offices, which is supplied and monitored by the landlord of respective buildings, is not included in our carbon footprint reporting because the data is unavailable. We are in negotiation with respective landlords to provide relevant energy data from the chilled water supply and on the option of installing chilled water meters at our own cost."*

*Robin Kam*  
Assistant Manager, Administration – Property

## Our Carbon Footprint

### GHG Emissions (tonnes of CO<sub>2</sub> equivalent)

	Year ended 31 December	
	2009	2008
Direct sources: <sup>1</sup>		
Corporate fleet	<b>26</b>	26
Refrigerants <sup>2</sup>	<b>1,098</b>	–
Indirect sources:		
Electricity <sup>1,3</sup>	<b>10,210</b>	10,239
Business travel <sup>4</sup>	<b>130</b>	234
Paper consumption <sup>5</sup>	<b>39</b>	51
<b>Total</b>	<b>11,503</b>	10,550

### GHG Emissions Avoided (tonnes of CO<sub>2</sub> equivalent)

Avoided by recycling of paper <sup>1,6</sup>	<b>(767)</b>	(956)
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<sup>1</sup> 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.

<sup>2</sup> No record was maintained for HKEEx's usage of refrigerants prior to 2009 and therefore the fugitive emissions data is not available for 2008. The GWPs used for calculating the 2009 figure were sourced from the latest available data from the IPCC where appropriate.

<sup>3</sup> 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 is centrally managed by the building landlords.

<sup>4</sup> The ICAO Carbon Emissions Calculator, GHG Protocol (WBCSD and WRI) and emission factors from Defra, the UK were used for the calculation of emissions.

<sup>5</sup> The VfU Standard was used for the calculation of emissions.

<sup>6</sup> Included the recycling of confidential waste paper.

## Electricity Consumption

The biggest contributor to HKEEx's carbon footprint is the indirect GHG emissions from electricity consumption which amounted to 89 per cent of HKEEx's total GHG emissions in 2009. Based on the energy audit and the lighting audit conducted in 3 office premises in 2008, we conducted a review in 2009 of all office premises to identify areas where lighting improvements and retrofit works could be made to reduce electricity consumption. We have begun to implement the following measures across our office premises:

- replace existing lighting with energy saving products;
- delamp or switch off part of the existing lighting in common areas;
- install motion sensors in conference/meeting rooms;
- separate zone lighting into smaller zones and install more separate switches at strategic locations; and
- separate the lighting and power by sub-meters to better monitor electricity consumption.

We endeavour to report on the performance of these improvement works in the coming year.

The data centre operation is one of the key areas for HKEEx's electricity consumption. Hence, the Guide for Data Centre Efficiency has been circulated to data centre managers to provide better guidance on understanding and controlling the physical environment in data centres while taking into account environmental concerns. Data centre managers have joined the newly formed Energy Green Team in order to better monitor the environmental aspects of the data centre operations.



Some of the fluorescent fittings in our offices were delamped as appropriate to reduce electricity consumption.

### Fuel Consumption

Overseas business travel mainly serves business development purposes and is an inherent part of our business activities. We encourage our employees to plan business travel efficiently in order to reduce the associated environmental impact. A centralised policy on business travel is in place and the Chief Executive's approval is required for overseas travel. In 2009, there were 236 man-trips (2008: 350 man trips) which resulted in 130 tonnes (2008: 234 tonnes) of GHG emissions. In addition, a total of about 26 tonnes of GHG emissions (2008: 26 tonnes) resulted from the use of our corporate fleet in 2009.

### Paper Consumption

We understand that the amount of paper used at HKEx is not a significant contributor to our carbon footprint, but nonetheless it has environmental implications. We have therefore extended the use of environmentally-friendly paper, promoted the recycling of waste paper and developed measures to reduce internal paper consumption.

#### Initiatives to Reduce HKEx's Paper Consumption

- Implemented double-side printing policy and facilities in all offices.
- Developed and implemented a number of electronic internal administrative processes, including:
  - > leave application and approval system;
  - > performance evaluation system;
  - > process for handling share options; and
  - > securities declaration and approval system.
- Published the internal monthly Market Intelligent Report on the HKEx Intranet to replace printed copy for distribution to the Board and management.
- Revised the Guidelines on Market Consultation Practices in June 2009 to allow the publication of HKEx's consultation documents by electronic means only.

With the various initiatives to increase the use of electronic communication, copying paper consumed internally dropped by 24 per cent compared to 2008. Over 95 per cent of publications printed by HKEx used FSC certified paper or recycled paper.

### Resources Consumption

		Year ended 31 December	
		2009	2008
Electricity used	kWh (million)	<b>12.2</b>	12.3
Unleaded petrol	litres	<b>7,591</b>	4,641
Diesel <sup>1</sup>	litres	<b>2,106</b>	4,918
Copying paper	kg	<b>49,708</b>	65,179
Paper used for printing HKEx's publication <sup>2</sup>	kg	<b>60,925</b>	–

<sup>1</sup> Fuel used for generators was minimal and was not accounted for. The significant drop in diesel consumption by the corporate fleet in 2009 was mainly attributed to the use of unleaded petrol.

<sup>2</sup> The amount of paper used for printing HKEx's publication in 2008 was not available.

### Waste Management

Paper waste and obsolete IT hardware and related equipment are major categories of waste at HKEx. In 2009, recycling facilities were made available at all of our offices to collect paper, plastics and metals. In addition, confidential waste paper was collected separately for recycling. Used IT and electronic equipment were channelled through the EPD's recycling and recovery of electronic and electrical equipment programmes.

Following the environmental review of waste management completed in mid-2009, we formalised our waste management policy and developed a waste management guide specific to HKEx's activities. A coordinator has been assigned for organising and overseeing the implementation of the waste management guide which has been made available on our Intranet. We have also established a record system and requested our cleaning contractor to record waste recycling data which will be useful for developing a waste reduction plan and setting targets in the future.



To improve our waste management practices, recycling facilities are now made available at all of our offices.

### Waste Recycling and Recovery

		Year ended 31 December	
		2009	2008
Confidential paper	tonnes	156	199
Paper*	kg	4,053	1,097
Plastics*	pieces	1,428	114
Metals*	pieces	1,496	129
IT equipment	pieces	302	342
Electronic equipment	pieces	19	25

\* The significant increase in the amount of paper, plastics and metals collected for recycling in 2009 was mainly attributed to the provision of recycling facilities at all of our office premises.



The use of the water filtration system instead of bottled distilled water in all of our offices helps conserve the environment.

### Green Procurement

We acknowledge our responsibility to manage the environmental and social consequences of our purchasing decisions. Based on the results of the environmental review of HKEx’s purchasing policy, procedures and practices, we incorporated a general principle of green purchasing into HKEx’s procurement guidelines and established environmental specifications for 4 common product categories under HKEx’s bulk purchases. They include personal computer equipment and related consumables, stationery and paper, renovation materials and furniture. We also expanded the use of the water filtration system to provide clean drinking water in-house in all of our offices, which helps to conserve the environment by reducing the indirect GHG emissions associated with the processing, packaging and transportation of bottled distilled water.

### Green Initiatives for the Marketplace

HKEx has rolled out various “paperless” initiatives to help market participants reduce paper consumption. The Listing Division regularly explores opportunities to streamline the IPO process and document requirements and has made a number of amendments to the Listing Rules in this respect. We will continue to work closely with our regulator, the Hong Kong Government and other stakeholders to pursue green initiatives for the marketplace, particularly in reducing the number and size of printed prospectuses required to be produced by new listing issuers.

### Initiatives to Mitigate Environmental Impacts of HKEx’s Products and Services

#### Reduction in paper documentation from listed issuers

 Details of HKEx’s major initiatives in this aspect are set out in ‘CSR Highlights and KPIs’ on page 8.

#### Use of electronic marketing materials

Brochures, leaflets and presentation materials for conferences, seminars and meetings are made available electronically.

#### Single licensing project

Through the single licensing project, all market data vendor licences (including MDF, HKFE data and Stock Options data) will be consolidated into a single agreement to simplify the administration of the licensed vendors and to reduce paperwork.

#### Promote eIPO services

Since 1999, HKEx has been providing the platform to enable the provision of eIPO services to new listings thus facilitating potential investors to apply for new shares electronically. In 2009, 77 per cent (2008: 49 per cent) of new listing issuers made eIPO service an option to potential investors.

#### Automation of stamp duty reporting and payment

HKEx plans to automate stamp duty reporting and payment process in the second half of 2010.

#### Scriptless securities market

HKEx, together with other market representatives, participate in the Scriptless Securities Market Working Group led by the SFC to develop a scripless operational model for the Hong Kong market. The Working Group issued a joint consultation paper on the proposed model on 30 December 2009.

Note: Given the nature and extent of the market initiatives described above, quantified reductions in the environmental impact of HKEx’s products and services are difficult to ascertain. HKEx will continue to report on relevant statistics in the future.

## Assurance Statement

SustainAsia Ltd has been commissioned by Hong Kong Exchanges and Clearing Limited (HKEx) to provide independent verification of HKEx's 2009 Corporate Social Responsibility (CSR) Report.

### Scope of verification and methodology

The verification process was performed over the January – February 2010 period and its objectives were to provide an independent opinion on the completeness and overall quality of the 2009 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 2009 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, online 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 2009 CSR Report and verified their accuracy. We consider this report a balanced, comprehensive and accurate presentation of HKEx's CSR performance in 2009 and that the report meets the GRI A+ application level.



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

#### Christophe Bongars

Chief Executive Officer, SustainAsia Ltd  
Hong Kong, 9 February 2010

## 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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1.2	Key impacts, risks and opportunities	p. 3, 7-10

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4.4	Mechanisms to provide recommendations or direction to the highest governance body	p. 13-14
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives, and the organisation's performance	 Details are set out in the Remuneration Committee Report of HKEx's 2009 Annual Report.
4.6	Management of conflicts of interest	p. 13
4.7	Process for determining the qualifications and expertise of the highest governance body	p. 13-14
4.8	Statements of mission or values, code of conduct, and principles relevant to sustainability performance	p. 11, 14-15
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### Economic Performance

	Disclosure on management approach	p. 8, 10, 24
EC1 <sup>▲</sup>	Direct economic value	p. 5
EC2 <sup>▲</sup>	Financial implications due to climate change	p. 29
EC3 <sup>▲</sup>	Defined benefit plan obligations	 Details are set out in Note 10 to the Consolidated Accounts of HKEX's 2009 Annual Report.
EC4 <sup>▲</sup>	Significant financial assistance received from government	p. 4
EC5 <sup>▲</sup>	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	p. 34
EC6 <sup>▲</sup>	Spending on locally-based suppliers	p. 29
EC7 <sup>▲</sup>	Procedures for local hiring and proportion of senior management hired from the local community	p. 30-31
EC8 <sup>▲</sup>	Development and impact of infrastructure investments and services provided primarily for public benefit	p. 26, 29, 36
EC9 <sup>▲</sup>	Significant indirect economic impacts	p. 24-26, 29

### Environmental Performance

	Disclosure on management approach	p. 9-10, 40
EN1 <sup>▲</sup>	Materials used	p. 42
EN2 <sup>▲</sup>	Recycled input materials	p. 42
EN3 <sup>▲</sup>	Direct energy consumption	p. 42
EN4 <sup>▲</sup>	Indirect energy consumption	p. 41-42
EN5 <sup>▲</sup>	Energy saved due to conservation and efficiency improvements	p. 41-42
EN6 <sup>▲</sup>	Initiatives to provide energy efficient or renewable energy based products and services	NR – As a recognised exchange controller under the SFO (Chapter 571 of The Laws of Hong Kong), we provide products and services in relation to the stock and futures markets in Hong Kong only.
EN7 <sup>▲</sup>	Initiatives to reduce indirect energy consumption	p. 40-41
EN8 <sup>▲</sup> EN9 <sup>▲</sup> EN10 <sup>▲</sup> EN21 <sup>▲</sup>	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.
EN11 <sup>▲</sup>	Location and size of land in or adjacent to protected areas	None in 2009.
EN12 <sup>▲</sup> EN13 <sup>▲</sup> EN14 <sup>▲</sup> EN15 <sup>▲</sup>	Significant impacts on biodiversity in protected areas, habitats protected or restored, managing impacts on biodiversity, and species with extinction risk affected	NR – the disclosure is not applicable to our business as an exchange controller because all of our operations are located in developed commercial areas with no significant impact on biodiversity and species with extinction risk.
EN16 <sup>▲</sup>	Direct and indirect GHG emissions	p. 41
EN17 <sup>▲</sup>	Other relevant indirect GHG emissions	p. 41
EN18 <sup>▲</sup>	Initiatives to reduce GHG emissions	p. 41-42
EN19 <sup>▲</sup>	Emissions of ozone-depleting substances	p. 41
EN20 <sup>▲</sup>	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	NR - As an exchange controller, our operations generate no significant emissions of NO <sub>x</sub> , SO <sub>x</sub> and other air pollutants.
EN22 <sup>▲</sup>	Waste by type and disposal method	p. 42-43
EN23 <sup>▲</sup>	Significant spills	NR – As an exchange controller, our operations are office-based and do not constitute any risks of significant spills of hazardous substances.
EN24 <sup>▲</sup>	Hazardous waste	NR – As an exchange controller, our operations are office-based and do not generate any significant amounts of hazardous waste.
EN25 <sup>▲</sup>	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 <sup>▲</sup>	Initiatives to mitigate environmental impacts of products and services	p. 43
EN27 <sup>▲</sup>	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 <sup>▲</sup>	Fines and sanctions for non-compliance with environmental laws and legislation	None in 2009.
EN29 <sup>▲</sup>	Significant environmental impact of transporting products	NR – As an exchange controller, we mainly provide financial and data products which require no physical transportation.
EN30 <sup>▲</sup>	Environmental protection expenditures and investments	p. 40

### Labour Practices and Decent Work Conditions

	Disclosure on management approach	p. 8, 10, 30
LA1 <sup>▲</sup>	Analysis of workforce	p. 31
LA2 <sup>▲</sup>	Employee turnover	p. 31
LA3 <sup>▲</sup>	Benefits provided to full-time employees	p. 34
LA4 <sup>▲</sup>	Employees covered by collective bargaining agreements	p. 31
LA5 <sup>▲</sup>	Minimum notice period(s) regarding significant operational changes	p. 31
LA6 <sup>▲</sup>	Formal joint management-worker health and safety committees	p. 34
LA7 <sup>▲</sup>	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	p. 34
LA8 <sup>▲</sup>	Education, training and prevention of serious diseases	p. 34-35
LA9 <sup>▲</sup>	Health and safety topics covered in formal agreements with trade unions	NR – HKEx does not have any formal agreements with trade unions.
LA10 <sup>▲</sup>	Average hours of training	p. 33
LA11 <sup>▲</sup>	Skills management and lifelong learning programmes	p. 33
LA12 <sup>▲</sup>	Performance and career development reviews	p. 33
LA13 <sup>▲</sup>	Composition of the Board and breakdown of employees per category according to age, gender and race	p. 32
LA14 <sup>▲</sup>	Ratio of basic salary of men to women	p. 31

### Human Rights

	Disclosure on management approach	p. 31-32
HR1 <sup>▲</sup>	Significant investment agreements that include human rights clauses or have undergone human rights screening	None in 2009.
HR2 <sup>▲</sup>	Suppliers that have undergone human rights screening	p. 29
HR3 <sup>▲</sup>	Employee training on policies and procedures concerning human rights	p. 32-33
HR4 <sup>▲</sup>	Incidents of discrimination and actions taken	p. 31
HR5 <sup>▲</sup>	Freedom of association and collective bargaining	p. 31
HR6 <sup>▲</sup>	Elimination of child labour	p. 31
HR7 <sup>▲</sup>	Elimination of forced labour	p. 31
HR8 <sup>▲</sup>	Training for security personnel on aspects of human rights	p. 33
HR9 <sup>▲</sup>	Incidents of violations involving rights of indigenous people	p. 31

### Society

	Disclosure on management approach	p. 14-16
SO1 <sup>▲</sup>	Programmes and practices that assess and manage the impacts of operations on the community	p. 16
SO2 <sup>▲</sup>	Risks related to corruption	p. 14-15
SO3 <sup>▲</sup>	Anti-corruption training	p. 14-15
SO4 <sup>▲</sup>	Response to incidents of corruption	p. 14-15
SO5 <sup>▲</sup>	Public policy positions and participation in public policy development	p. 25
SO6 <sup>▲</sup>	Contributions to political parties	None in 2009.
SO7 <sup>▲</sup>	Legal actions for anti-competitive behaviour	None in 2009.
SO8 <sup>▲</sup>	Significant fines and sanctions for non-compliance with laws and regulations	None in 2009.

### Product and Service Responsibility

	Disclosure on management approach	p. 27-28
PR1 <sup>▲</sup> PR2 <sup>▲</sup>	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 <sup>▲</sup>	Product and service information	p. 27
PR4 <sup>▲</sup>	Non-compliance with regulations concerning product and service information and labeling	p. 27
PR5 <sup>▲</sup>	Customer satisfaction	p. 27-28
PR6 <sup>▲</sup>	Marketing communications standards	p. 27-28
PR7 <sup>▲</sup>	Non-compliance concerning marketing communications standards	None in 2009.
PR8 <sup>▲</sup>	Customer privacy	p. 28
PR9 <sup>▲</sup>	Non-compliance with laws and regulations concerning the provision and use of products/services	None in 2009.

### Financial Services Sector Disclosures

FS1 <sup>▲</sup>	Environmental and social policies applied	p. 11, 14-15
FS2 <sup>▲</sup>	Assessment of environmental and social risks	p. 11, 29
FS3 <sup>▲</sup>	Monitoring clients' implementation of and compliance with environmental and social requirements	NR – HKEx does not provide any commercial/corporate banking or insurance services. The inclusion of environmental and social requirements in the provision of our products and services is not relevant to our business as an exchange controller.
FS4 <sup>▲</sup>	Improving staff competency to implement environmental and social policies and procedures	p. 11, 15, 32
FS5 <sup>▲</sup>	Interactions with clients/business partners regarding environmental and social risks and opportunities	p. 27-29, 43
FS6 <sup>▲</sup>	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 <sup>▲</sup>	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 <sup>▲</sup>	Products and services designed to deliver a specific environmental benefit	NR – the provision of products or services designed with an explicit aim to address environmental issues is not relevant to our business as an exchange controller.
FS9 <sup>▲</sup>	Audits to assess the implementation of environmental and social policies and risk assessment procedures	p. 11
FS10 <sup>▲</sup> FS12 <sup>▲</sup>	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 2009.
FS11 <sup>▲</sup>	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 <sup>▲</sup>	Access points in low-populated or economically disadvantaged areas	NR – HKEx does not operate in low-populated or economically disadvantaged areas.
FS14 <sup>▲</sup>	Initiatives to improve access to financial services for disadvantaged people	p. 28-29
FS15 <sup>▲</sup>	Policies for fair design and sale of financial products and services	p. 27
FS16 <sup>▲</sup>	Initiatives to enhance financial literacy	p. 26-29

 Denotes further information is available in HKEx's 2009 Annual Report which can be accessed at: [www.hkex.com.hk/eng/exchange/invest/finance/2009/hkex2009.htm](http://www.hkex.com.hk/eng/exchange/invest/finance/2009/hkex2009.htm).

▲ Core indicator  
 △ Additional indicator  
 NA Not available  
 NR Not reported

## Glossary

AGM	Annual General Meeting
AMS/3	The Automatic Order Matching and Execution System/Third Generation
ASriA	Association for Sustainable & Responsible Investment in Asia
Board	Board of HKEx
CAS	Closing Auction Session
CCASS	The Central Clearing and Settlement System
CDP	Carbon Disclosure Project
CER	Certified Emission Reduction
CG Code	Code on Corporate Governance Practices
CPs	Clearing Participants
CSR	Corporate Social Responsibility
DCASS	The Derivatives Clearing and Settlement System
Director(s)	Director(s) of the HKEx
eIPO	Electronic IPO
EDS	Electronic Disclosure System
EMSD	Electrical and Mechanical Services Department, Hong Kong Government
EPD	Environmental Protection Department, Hong Kong Government
EP(s) or Participant(s)	Exchange Participant(s)
ETF(s)	Exchange Traded Fund(s)
FRC	Financial Reporting Council
FSC	Forest Stewardship Council
FSTB	Financial Services and the Treasury Bureau
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GRI G3 Guidelines	GRI G3 Sustainability Reporting Guidelines
Group	HKEx and its subsidiaries
GWPs	Global Warming Potentials
HKATS	The Hong Kong Futures Automated Trading System
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKFE	Hong Kong Futures Exchange Limited
HKICL	Hong Kong Interbank Clearing Limited
HKICPA	Hong Kong Institute of Certified Public Accountants
HKICS	The Hong Kong Institute of Chartered Secretaries
HKIoD	The Hong Kong Institute of Directors
HKMA	Hong Kong Monetary Authority
HKSCC	Hong Kong Securities Clearing Company Limited
HKSI	Hong Kong Securities Institute
Hong Kong Government	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
HSI	Hang Seng Index
IAQ	Indoor Air Quality
ICAC	Independent Commission Against Corruption
IPs	Investor Participants
IPCC	Intergovernmental Panel on Climate Change
IPO	Initial Public Offering
ISO	International Organization for Standardization
ISO/DIS	International Organization for Standardization/Draft International Standard
IT	Information Technology
IVs	Information Vendors
KPI(s)	Key Performance Indicator(s)
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
MDF	The Market Datafeed System
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
MOU(s)	Memorandum(s) of Understanding
NGOs	Non-governmental Organisations
PRS	The Price Reporting System
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
SRI	Socially Responsible Investment
UK	United Kingdom
US	United States
USD	US Dollar
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute
\$/HKD	Hong Kong Dollar

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