



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

## 2011 Corporate Social Responsibility Report



Stock Code: 388


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


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## Your Feedback


Your feedback on our CSR performance and reporting is important to us and can be sent to us online  or by:

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Full details of HKEx's corporate governance and CSR recognition and ratings received during 2011 are available on the HKEx website .

## ABOUT THIS REPORT

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This Report presents HKEx's CSR performance during 2011 and up to end of February 2012. It focuses primarily on our activities in Hong Kong where our main business operations are located. We view this Report as an important tool for engaging with our stakeholders and continually improving our performance on the sustainability journey.

This Report should be read in conjunction with the GRI Content Index [▶](#) and the HKEx 2011 Annual Report [▶](#) published on the HKEx website. Where information is already available on the HKEx website, such as our CSR governance structure and management approach adopted across our marketplace, workplace, community and environment, it is referred to and not repeated in this Report. There are no significant changes from the previous reporting period in terms of scope, boundary or measurement methods.

We adopted the latest GRI G3.1 Guidelines and the Financial Services Sector Supplement in our preparation of this Report in order to provide a comprehensive and transparent account of the significant sustainability issues relevant to our business. The content of this Report is defined through a process which includes determining the materiality of sustainability issues, prioritising the issues within the Report, and identifying the stakeholders HKEx expects to use the Report. Material issues were determined after taking into account the sustainability impacts, risks and opportunities identified through HKEx's CSR governance structure and management system (which was developed with reference to ISO 26000 and ISO 14001 and includes elements that are relevant to HKEx's business nature and operations), views and concerns raised by stakeholders, standards and practices relevant to the financial services sector, and HKEx's organisational values, strategies and core competencies.

The topics within this Report were prioritised largely according to HKEx's CSR principles and objectives and the outcomes of on-going engagement activities with key stakeholders, including shareholders, investors, listed issuers, market participants, regulators and employees. Details of HKEx's CSR principles and objectives set for the sustainability of the marketplace [▶](#), workplace [▶](#), community [▶](#) and environment [▶](#) are available on the HKEx website. HKEx adopts a systematic stakeholder engagement process which involves identifying its stakeholders, prioritising them by strategic importance, issue and category, and determining the appropriate engagement approach based on engagement objectives and stakeholders' level of interest and influence. Details of our stakeholder engagement process, including major engagement practices and objectives, are available on the HKEx website [▶](#).

Financial data is extracted from HKEx's audited consolidated financial statements for the year ended 31 December 2011, where applicable. Year-on-year data for certain indicators is set out where relevant and practicable to facilitate comparison and analysis. Some indicators are included for the first time in accordance with the latest GRI G3.1 Guidelines. Any restatements of information provided in the earlier reports and reasons for such restatements are explained where appropriate. The data measurement techniques and bases of calculations stated in the GRI Indicator Protocols are applied unless otherwise stated. Other relevant standards and best practices adopted for compiling this Report are stated where appropriate.

This Report has been independently verified by the Hong Kong Quality Assurance Agency and checked by GRI's Report Services which concluded that this Report fulfils the requirement of GRI Application Level A+.

## MESSAGE FROM THE CHAIRMAN



### BOARD

#### **Independent Non-executive Chairman**

Ronald Joseph ARCULLI GBM, GBS, JP

#### **Executive Director, Chief Executive**

Li Xiaojia, Charles

#### **INEDs**

CHA May-Lung, Laura GBS, JP

CHAN Tze Ching, Ignatius BBS, JP

CHENG Mo Chi, Moses GBS, JP

John Barrie HARRISON

HUI Chiu Chung, Stephen JP

KWOK Chi Piu, Bill JP

LEE Kwan Ho, Vincent Marshall

LEE Tze Hau, Michael

John Estmond STRICKLAND GBS, JP

John Mackay McCulloch WILLIAMSON

WONG Sai Hung, Oscar

At HKEx, we are committed to operating in an economically, socially and environmentally sustainable manner with effective corporate governance and stakeholder engagement as the overarching principles. Whilst we remained vigilant to the financial issues that overshadowed the global economy in 2011, we continued to foster the stability of the marketplace and focus on implementing our Strategic Plan 2010-2012 to ensure the sustainable development of our business. As a responsible corporate citizen, we also contributed to the well-being of the society by addressing workplace quality, community investment and environmental preservation. We are honoured by HKEx's continued inclusion in the Hang Seng Corporate Sustainability Index Series, the Dow Jones Sustainability Asia Pacific Index and the FTSE4Good Index Series, and HKEx being awarded the Platinum Award (HSI Category) in the HKICPA's 2011 Best Corporate Governance Disclosure Awards and chosen as the joint winner of HKICPA's Sustainability and Social Responsibility Reporting Award.

The CSR Committee established in 2008 was restructured and delegated with additional responsibilities on corporate governance. The committee was renamed as the ESG Committee in April 2011 and comprises Board members only. I, as Chairman of the ESG Committee, am pleased to report that the Committee had laid down the Group's CSR Strategy going forward, which aims to further integrate CSR into our business. With the support of our CSR Working Group, implementation of the CSR Strategy is in progress, and details of which are featured later in this Report.

With the dedication of our employees and support from our stakeholders, we made a number of important steps forward on our sustainability journey in 2011. We conducted a series of free seminars and workshops on the proposed ESG Reporting Guide for issuers, which attracted over 1,300 participants. Internally, our new Data Centre in Tseung Kwan O has achieved precertification under the US Green Building Council's Leadership in Energy and Environmental Design (LEED) at gold level, which is an excellent example of our commitment to integrate sustainability into our business operations. We continued to invest in our employees to ensure that they have the right skill sets for future competencies required for our business development, and to enhance their personal development and well-being in the long-run. Our employees continued to actively participate in volunteering for the good of society, and we have developed fruitful partnerships to address community causes.

I take this opportunity to thank our stakeholders for their contributions and support, and to affirm our commitment to greater transparency and stronger accountability to them going forward. We will continue to build on our strengths and unique role in the marketplace to uphold the sustainability agenda.

#### **Ronald Joseph ARCULLI**

Chairman

Hong Kong, 29 February 2012

# PROGRESS HIGHLIGHTS AND FUTURE COMMITMENTS

Our CSR progress highlights in 2011 and key initiatives of our CSR Strategy going forward are summarised in the table below. Further details of our CSR initiatives are provided in the sections to follow in this Report.



**Achieved**



**On-going**



**Future Commitment**

## Governance and Management

- ★ Restructured the ESG Committee to oversee both corporate governance and CSR-related matters.
- ★ Adopted the CSR Strategy.

Details of our CSR governance structure and management system are available on the HKEx website ▶.

## Stakeholder Engagement

- ★ Created a new “CSR corner” in the *Exchange* quarterly newsletter since January 2012 to communicate HKEx’s CSR information to a wider audience.
- ★ Established a Shareholders Communication Policy ▶ and designed a Shareholders’ Guide ▶ to facilitate shareholders’ engagement with HKEx.
- ★ Collected CSR information from key suppliers and communicated to them HKEx’s CSR Policy, Corporate Suppliers Policy Statement and Supplier CSR Code of Conduct.
- ★ To strengthen relationship with shareholders by organising regular shareholder activities.

## Marketplace

- ★ Enriched the HKEx website to provide more information on HKEx’s products such as structured products, ETF products and RMB products.
- ★ Contributed \$4.2 million to the Financial Reporting Council.
- ★ Organised a series of free training seminars and workshops on ESG reporting for issuers between May and July 2011.
- ★ Began market consultation on the proposed ESG Reporting Guide on 9 December 2011.
- ★ Announced the implementation of the Corporate Governance Code and related amendments to the Listing Rules by phases in 2012.

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- ★ Held seminars on recent Rule amendments and practical compliance issues for issuers in Hong Kong between November and December 2011 and in Shanghai and Beijing in January 2012.
- 
- ★ To provide ESG web link resources from other bodies on the HKEx website which will serve as an information centre for issuers.
- 
- ★ Published a revised policy on regulatory information disclosure and trading arrangements in December 2011. Established an ad hoc IT Review Committee in September 2011 to examine HKEx's IT security and contingency plans with the aim of ensuring uninterrupted, fair and even distribution of market information and maintenance of an orderly and open market.
- 
- ★ Exploring an enhanced distribution model with multiple free issuers' news dissemination platforms in addition to the HKExnews website.
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## Workplace

- ★ Invested \$4.5 million in employee training, including the launch of an in-house "China Development Briefing Series".
- 
- ★ Conducted an in-house health care seminar series "Eat Smart for a Healthy Life" from August 2011 to January 2012 to enhance employees' well-being, which attracted 720 participants.
- 
- ★ Organised 55 social activities for employees and their family members through the Staff Social Club.
- 
- ★ Joined the Work-Life Balance Week 2011 in Hong Kong.
- 
- ★ Plan to conduct an employee survey in 2013 with the aim of promoting employee engagement and continual improvement of HKEx's performance as an employer of choice.
- 
- ★ To implement OHSAS 18001 as part of the integrated management system for operating and managing the critical infrastructure at the new Data Centre in Tseung Kwan O in 2012/2013.
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## Community

- ★ Established a Charity Advisory Group to support the implementation of HKEx's Community Investment Policy.

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- ★ Contributed a total of 2,683 hours of employee volunteer service to the community.

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- ★ Supported the Give & Gain Day 2011 campaign in Hong Kong.

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- ★ Raised a total of \$57.7 million for The Community Chest of Hong Kong through the Stock Code Balloting for Charity Scheme.

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- ☆ To explore and develop a sustainable community project.

## Environment

- ★ Conducted an office environmental inspection across the Company in July 2011.

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- ★ Achieved LEED (Gold) precertification for the new Data Centre in Tseung Kwan O in August 2011.

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- ★ Completed waste audit for all offices in October 2011.

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- ★ Donated a total of \$100,000 to Friends of the Earth (HK) to support shareholders' environmental preservation efforts.

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- ★ Joined the Wastewi\$e Label recognition scheme under the Hong Kong Awards for Environmental Excellence with the aim of attaining the Wastewi\$e Label in 2012.

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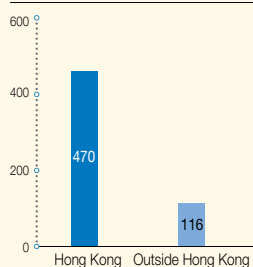
- ☆ To conduct energy audit across all offices in 2012/2013.

Details of our core principles and objectives under each of the CSR cornerstones are available on the HKEx website [▶](#).

# PERFORMANCE STATISTICS

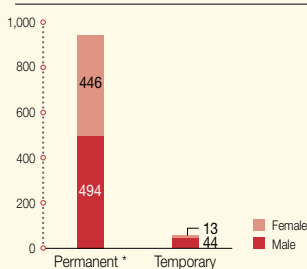
## Number of suppliers in 2011 by region

Number of suppliers



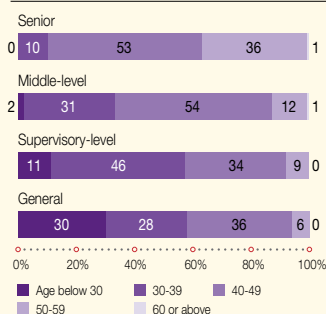
## Total workforce in 2011 by employment contract and gender

Number of employees

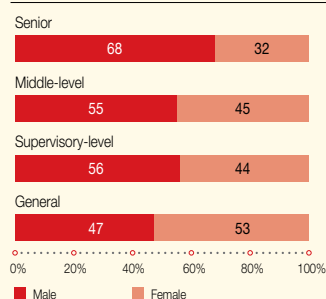


\* All permanent employees were employed on a full-time basis.

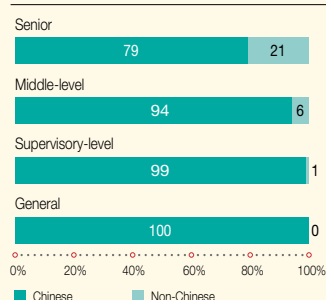
## Diversity of employees by age as at 31 December 2011



## Diversity of employees by gender as at 31 December 2011



## Diversity of employees by race as at 31 December 2011



Year ended/As at 31 December  
2011 2010 2009

## Marketplace Indicators

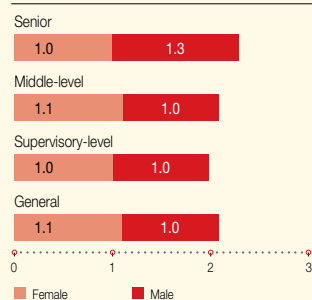
### Economic Performance (\$ million)

Revenue and other income	7,855	7,566	7,035
Operating expenses	1,823	1,612	1,493
Employee compensation <sup>1</sup>	1,025	887	789
Dividends and interest borrowings	4,579	4,520	4,226
Taxation <sup>2</sup>	930	924	839
Stamp duty generated for the Hong Kong Government <sup>3</sup>	22,029	22,879	21,731
Total assets	54,028	47,884	45,332
Shareholders' funds <sup>4</sup>	9,159	8,677	8,027

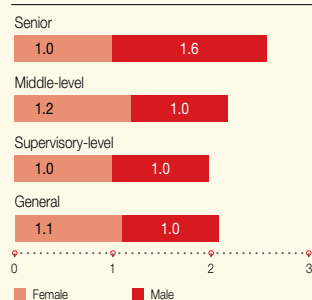
## Workplace Indicators

<b>Total Workforce</b>	997	883	850
<b>By region (%)</b>			
○ Hong Kong	99	99	99
○ Outside Hong Kong	1	1	1
<b>By gender (%)</b>			
○ Male	54	53	52
○ Female	46	47	48
<b>By age group (%)</b>			
○ Below 30	15	13	12
○ 30 to 39	35	37	38
○ 40 to 49	39	40	40
○ 50 to 59	10	10	9
○ 60 or above	1	0	1
<b>By race (%)</b>			
○ Chinese	97	98	98
○ Non-Chinese	3	2	2
<b>By employment contract (%)</b>			
○ Permanent	94	98	99
○ Temporary	6	2	1
<b>By employment category (%)</b>			
○ Senior	7	7	6
○ Middle-level	18	17	17
○ Supervisory-level	43	43	42
○ General	32	33	35
% of women employed at senior level	32	28	29
% of senior management employees hired from local community	89	95	90
Average age of employees	40	40	40
Average years of service of employees	9	10	10
No. of employees eligible to retire within the next 5 years <sup>5</sup>	33	26	27
<b>Employee Turnover</b>	77	78	39
<b>Employee Turnover Rate (%)</b>	8	9	5
<b>By region (%) #</b>			
○ Hong Kong	97	100	100
○ Outside Hong Kong	3	0	0
<b>By gender (%)</b>			
○ Male	49	54	56
○ Female	51	46	44
<b>By age group (%)</b>			
○ Below 30	28	19	43
○ 30 to 39	40	32	28
○ 40 to 49	18	32	18
○ 50 to 59	13	7	8
○ 60 or above	1	10	3



**Ratio of basic salary\* of women and men by employee category**

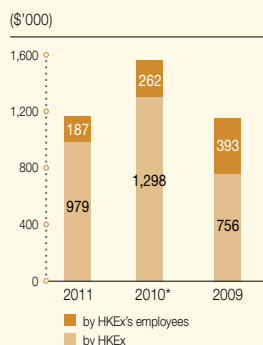
\* Basic salary is a fixed, minimum amount paid to an employee for performing his/her duties.

**Ratio of remuneration\* of women and men by employee category**

\* Remuneration is basic salary and additional amounts including performance bonus, share award and other benefit payments.

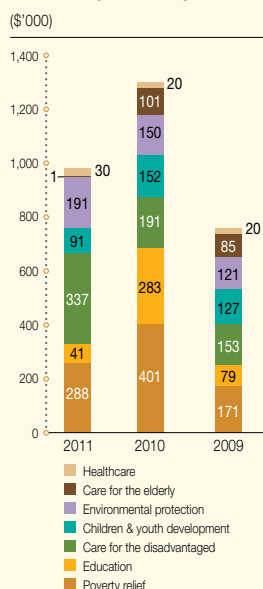
	Year ended/As at 31 December		
	2011	2010	2009
<b>Workplace Indicators</b>			
<b>Total No. of New Employee Hires</b> <sup>#6</sup>	191	111	24
<b>New Employee Hire Rate (%)</b> <sup>#</sup>	19	13	3
<b>By region (%)</b> <sup>#</sup>			
○ Hong Kong	90	97	96
○ Outside Hong Kong	10	3	4
<b>By gender (%)</b> <sup>#</sup>			
○ Male	57	59	38
○ Female	43	41	62
<b>By age group (%)</b> <sup>#</sup>			
○ Below 30	39	46	42
○ 30 to 39	42	30	46
○ 40 to 49	17	18	8
○ 50 to 59	2	5	4
○ 60 or above	0	1	0
<b>Ratio of Local Minimum Wage to HKEx's Entry Level Wage</b> <sup>#7</sup>			
<b>By gender</b>			
○ Male	1:1.02	n/a	n/a
○ Female	1:1.02	n/a	n/a
<b>Training Indicators</b>			
Amount spent on employee training (\$ million)	4.5	4.4	4.8
No. of employees who attended external training	211	299	272
No. of employees who attended internal training	884	773	837
No. of employees who undertook e-learning	167	157	114
<b>Human Rights Training</b>			
No. of hours of human rights training delivered	348	311	42
% of employees trained	22	16	5
% of security personnel trained	50	50	50
<b>All Types of Training</b>			
<b>Average hours of training per employee by employment category</b>			
○ Senior	22	18	22
○ Middle-level	28	26	33
○ Supervisory-level	27	32	37
○ General	21	23	22
<b>Average hours of training per employee by gender</b> <sup>#</sup>			
○ Male	23	25	31
○ Female	28	29	29
<b>Health &amp; Safety Indicators</b>			
No. of reportable injuries <sup>8</sup>	4	0	2
No. of reportable occupational diseases	0	0	0
No. of lost days <sup>8</sup>	6.5	0	2
Occupational disease rate	0	0	0
Occupational injury rate <sup>9</sup>	0.4	0	0.2
Lost day rate <sup>9</sup>	0.7	0	0.2
Absentee rate (%) <sup>10</sup>	0.9	0.9	1

**Charitable donations made by HKEx and its employees**



\* Excluded donations of \$1 million in 2010 to support disaster relief efforts in the Qinghai earthquake.

**Analysis of HKEx's charitable donations by community causes**



	Year ended/As at 31 December		
	2011	2010	2009

**Community Indicators**

**Community Investment made (\$'000)**

Corporate charitable donations <sup>11</sup>	979	1,298	756
Employee charitable donations	187	262	393
Corporate sponsorships	2,290	2,825	1,767

**Stock Code Balloting for Charity Scheme <sup>12</sup>**

Donation through the Scheme (\$ million)	58	70	50
No. of participating companies	60	70	50

**Employee Volunteering**

No. of employee volunteer hours	2,683	2,998	3,282
No. of employees applied for employee volunteering leave <sup>13</sup>	45	21	n/a
No. of employee volunteering leave days taken <sup>13</sup>	36	19	n/a

**Environmental Indicators**

**GHG Emissions (CO<sub>2</sub> equivalent)**

	unit	2011	2010	2009
<b>Direct sources</b>				
Corporate fleet <sup>14</sup>	tonnes	22	21	26
Refrigerants <sup>15</sup>	tonnes	1,079	411	1,098
<b>Indirect sources</b>				
Electricity <sup>16</sup>	tonnes	10,036	9,439	10,210
Business travel <sup>17</sup>	tonnes	283	217	130
Paper consumption <sup>18</sup>	tonnes	70	41	39
<b>Total GHG emissions</b>	tonnes	11,490	10,129	11,503
Total GHG emissions per full-time employee (FTE)	tonnes/FTE	11.5	11.5	13.5

**GHG Emissions Avoided (CO<sub>2</sub> equivalent)**

By recycling of paper <sup>19</sup>	tonnes	(783)	(1,143)	(767)
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**Resources Consumption <sup>20</sup>**

Electricity	kWh (million)	11.9	11.2	12.2
Unleaded petrol	litres	5,961	5,682	7,591
Diesel	litres	2,289	2,149	2,106
Office paper	tonnes	58	53	50
Paper for printing HKEx's publication <sup>21</sup>	tonnes	49	39	61
FSC certified/recycled paper used <sup>22</sup>	%	67	82	91

**Direct Energy Consumption <sup>23</sup>**

Direct Energy Consumption	GJ	280	266	327
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**Indirect Energy Consumption <sup>24</sup>**

Indirect Energy Consumption	GJ	143,414	134,977	151,221
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**Waste Collected for Recycling**

Paper <sup>25</sup>	tonnes	172	238	160
Plastics <sup>26</sup>	kg	160	-	-
Metals <sup>27</sup>	kg	53	-	-
IT equipment <sup>28</sup>	pieces	940	1,188	302
Electronic equipment	pieces	11	118	19

**Waste Disposed to Landfill**

General office waste	tonnes	67	74	-
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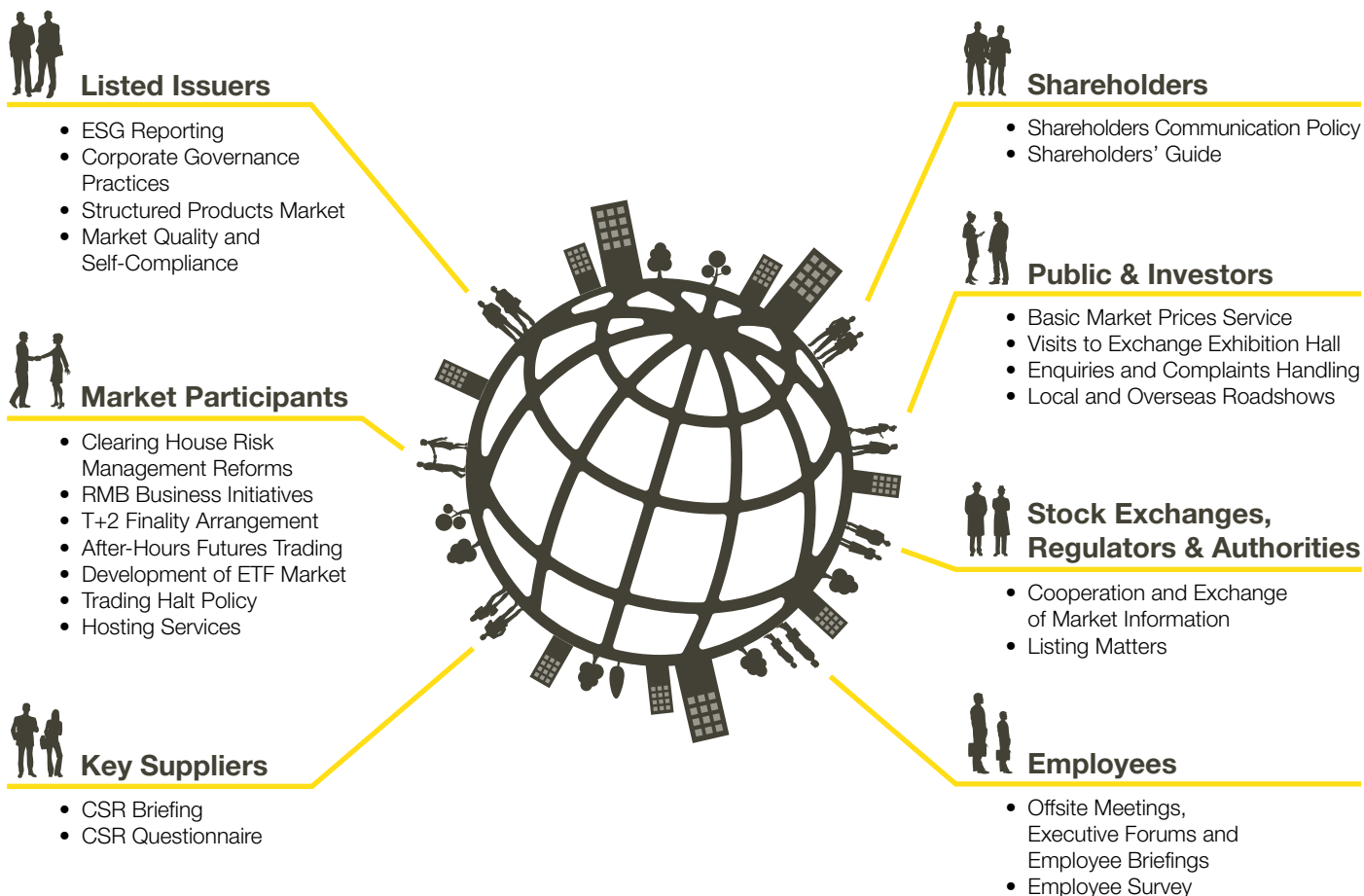
**Environmental Protection Expenditures and Investments**

Improvement works	\$ million	0.2	0.4	0.5
Management and review costs	\$ million	0.1	0.3	0.4

- n/a Not applicable
- # Indicators included for the first time in accordance with the GRI G3.1 Guidelines.
- Not available
- 1 Employee compensation excludes training costs.
  - 2 The figures reported were computed in accordance with the GRI G3.1 Guidelines and are different from those reported in the annual report which included, inter alia, deferred taxation.
  - 3 Stamp duty is generated for the Hong Kong Government in respect of all securities transactions subject to stamp duty and recognised by the Exchange.
  - 4 HKEx's gearing ratio was zero as at 31 December.
  - 5 To support HKEx's succession planning process, the Nomination Committee is responsible for make recommendations to the Board on relevant matters relating to the succession planning for the Chief Executive as well as the senior management. Details of the Nomination Committee are available on the HKEx website [▶](#).
  - 6 The new employee hires in 2011 were mainly for the growth of the Platform Development and Strategy Department which focuses on projects to promote HKEx's future growth, and the formation of the OTC Clearing Operations and Risk Management groups which focus on establishing an OTC clearing house for the clearing of derivatives traded in Hong Kong.
  - 7 The statutory minimum wage in Hong Kong is \$28/hour which came into force on 1 May 2011.
  - 8 The reportable injuries relate to minor injuries arising out of or in the course of work. The lost days indicate the work time lost as a consequence of the employees being unable to perform their usual work because of the reportable injuries.
  - 9 The occupational injury rate and the lost day rate indicate respectively the number of occupational injuries and the number of lost days due to the occupational injuries per 100 employees during the reporting period.
  - 10 The absentee rate indicates the number of absentee days (as a result of occupational injuries and other illnesses) as a percentage of the total number of work days scheduled for the workforce during the reporting period.
  - 11 The figures reported are different from those reported in the annual report due to accounting treatment. The 2010 figure excluded donation of \$1 million to support disaster relief efforts in the Qinghai earthquake.
  - 12 The Exchange launched the Stock Code Balloting for Charity Scheme in November 1999 to raise money for worthwhile causes as the demand for auspicious codes for new listings increased and HKEx sought to encourage more donations to charity. Under the scheme, numbers deemed to be auspicious are put into a Special Ballot Pool. A successful Main Board listing candidate donating \$500,000, or a successful GEM listing candidate donating \$300,000, may draw and use a stock code from the Special Ballot Pool. Alternatively, if a successful listing candidate has a special preference for a particular code, it may choose the code without going through the balloting process by donating \$1 million (Main Board) or \$650,000 (GEM).
  - 13 Employee volunteering leave was introduced on 1 September 2010 to grant an additional day of paid leave per year to employees in recognition of their commitment and efforts to serve the community.
  - 14 Emissions were calculated based on the amount of fuel consumed by the corporate fleet and the relevant emission factors provided in the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong issued by the EMSD and EPD (Hong Kong GHG Guidelines).
  - 15 Emissions were calculated based on the estimated amount of refrigerants escaped from the operating phase of the air-conditioning system (in all data centres and the Exchange Square premises only) and the relevant GWP factors provided in the Hong Kong GHG Guidelines. The air-conditioning system in other office premises is centrally managed by the building landlords.
  - 16 Emissions were calculated based on the amount of electricity consumed at all office premises (including the air-conditioning system in all data centres and the Exchange Square premises only) and the relevant emission factors provided in the Hong Kong GHG Guidelines. The purchased electricity was primarily generated from coal and natural gas combustion conducted by our electricity provider.
  - 17 Emissions generated by air travel were largely calculated based on the International Civil Aviation Organization Carbon Emissions Calculator. Emissions generated by vehicle, train and ferry travel were calculated based on the estimated distance travelled and the relevant emission factors provided by the GHG Protocol issued by the WBCSD and WRI.
  - 18 Emissions reflect the downstream emissions related to the production of paper which were calculated based on the amount of paper consumed and the relevant emission factors sourced from the VfU Indicators: Internal Environmental Performance Indicators for the Financial Industry. The increase in emissions in 2011 was largely due to a revision of the VfU indicators which resulted in an increase of 53% in GHG emissions per tonne of paper produced. The 2010 and 2009 figures have not been restated.
  - 19 Emissions avoided were calculated based on the amount of paper collected for recycling (included confidential waste paper generated within HKEx and paper documents submitted by external parties) and the relevant emission factor provided in the Hong Kong GHG Guidelines.
  - 20 The increases in resources consumption in 2011 were largely attributable to the number of new employees hired to facilitate the implementation of new business initiatives based on our Strategic Plan 2010-2012. Details of these initiatives are set out in the Business Review section of the HKEx 2011 Annual Report which is available on the HKEx website.
  - 21 Included paper used for printing corporate financial statements and brochures, and the Listing Rules. The increase in paper consumption in 2011 was largely due to an increase in the publication of Listing Rules updates.
  - 22 All office paper and paper for printing HKEx's publication are FSC certified/recycled paper, except the paper used for printing the Listing Rules. HKEx will continue to explore opportunities to develop its green purchasing practices in this area.
  - 23 Direct energy consumption was calculated based on the amount of fuel purchased for the corporate fleet (which is the primary direct energy source purchased) and the relevant conversion factors provided in the GRI Indicator Protocol. HKEx does not produce/sell any direct energy sources.
  - 24 Indirect energy consumption was calculated based on the amount of electricity purchased (which is the primary intermediate energy source purchased) and the latest available data acquired from our electricity provider on thermal efficiency, plant availability, and transmission and distribution losses.
  - 25 Included confidential waste paper generated within HKEx and paper documents submitted by external parties.
  - 26 The amount of plastic waste collected for recycling was measured in pieces prior to 2011 (2010: 3,756, 2009: 1,428).
  - 27 The amount of metal waste collected for recycling was measured in pieces prior to 2011 (2010: 3,630, 2009: 1,496).
  - 28 The 2010 figure included 370 pieces of IT equipment which were donated for reuse.

# STAKEHOLDER ENGAGEMENT

HKEx seeks to involve its stakeholders in its decision-making processes so as to align business practices with public needs and expectations, and to achieve sustainable development. Details of our major stakeholder groups, engagement practices, and objectives are available on the HKEx website [▶](#). A summary of the key stakeholder engagement activities conducted during 2011 is set out below.



## Shareholders

- o Details of the shareholder engagement are set out in the 2011 Corporate Governance Report which is available on the HKEx website [▶](#).

## Public and Investors

- o Began providing the real-time price of HKEx's shares on the HKEx website from 7 November 2011 through its Basic Market Prices Service. The real-time price and other information such as shares traded and the previous closing price are available.
- o Provided up-to-date and comprehensive information on HKEx and the latest development in the Hong Kong securities and futures markets to nearly 32,400 visitors of the Exchange Exhibition Hall.
- o Handled over 18,800 enquiries (both written and telephone) and 30 complaints from the public.
- o Organised 16 local and overseas roadshows, conferences or presentations to engage investors and explain HKEx's corporate strategy, business development and operations.

## Listed Issuers

### ESG Reporting

- o Organised a series of free ESG seminars and workshops for issuers between May and July 2011 at our Exchange Auditorium to raise ESG awareness, encourage issuers to start ESG reporting and help equip them with tools for reporting.
- o In total, 823 participants from 498 issuers attended the seminars and 518 participants from 348 issuers attended the workshops. Market consultation on the proposed ESG Reporting Guide began on 9 December 2011 and will end on 9 April 2012.

### Corporate Governance Practices

- o Organised a series of 10 free seminars in November and December 2011 in Hong Kong to provide training and practical guidance on the recent Rule amendments on corporate governance and practical compliance issues.
- o In total, 1,589 participants from 938 issuers and 192 participants from 118 market practitioner firms attended the seminars. One of the seminars is available as a webcast on the HKEx website.
- o The same issuer seminars in Putonghua were held in Hong Kong, Shanghai and Beijing in January 2012 which attracted almost 600 participants.

### Structured Products Market

- o Organised briefing sessions, trial tests and user training sessions prior to the launch of the new web-based system, Structured Products Integrated Transaction System (SPRINTS), in May 2011. A help desk function has been set up to address any system operations questions that issuers may have.
- o Met with all structured product issuers in September 2011 to discuss market issues and proposals for improvement, including the streamlining of listing documentation, liquidity provision obligations, collateralisation, issuers' systems and controls, investor communication strategy and development of contingency arrangements.

### Market Quality and Self-Compliance

- o Conducted 11 "meet and greet" sessions with over 400 issuers' representatives and market practitioners to discuss controversial and evolving issues, as well as issuer seminars on Rule amendments and practical compliance issues to promote market quality and self-compliance with the Listing Rules.
- o Installed a search engine on the HKEx website to facilitate the search of listing decisions, letters to issuers, frequently asked questions, and guidance letters issued by the Exchange.

## Market Participants

### Clearing House Risk Management Reforms

- o Conducted a market consultation between July and October 2011 on several major risk management reform measures which aim to fundamentally strengthen HKEx's clearing house risk management regime.
- o In parallel, commenced an engagement programme which comprised one-on-one broker meetings as well as seminars for CPs and industry associations to facilitate better understanding of the consultation and to rally support for the proposed measures.
- o Over 600 responses were received from CPs, brokerage industry associations, professional bodies, other non-CPs as well as individuals. The consultation conclusions are scheduled to be published in the first quarter of 2012.



HKEx's Chief Executive, Charles Li (left) is joined by Chief Operating Officer, Gerald Greiner (centre), and Head of Risk Management, Kevin King (right), at a media briefing on the Consultation Paper on HKEx Clearing House Risk Management Reform Measures.

- o Exchanged views with other members of the Global Association of Central Counterparties (CCP 12) and submitted comments through the CCP 12 on the joint consultation "Principles for Financial Market Infrastructures" issued by the Committee on Payment and Settlement Systems and International Organization of Securities Commissions with the aim of strengthening the financial market system.

#### **RMB Equity Trading Support Facility (TSF) Model**

- o Engaged with EPs, Custodian Participants, CPs, Designated Banks and Back Office System Vendors on the development of the RMB Equity TSF model through a series of briefing sessions held in April/May 2011. Views and expectations were exchanged which greatly facilitated the market readiness to support the TSF model.

#### **RMB Equity Issuance Models**

- o Conducted a series of briefing sessions for EPs, Custodian Participants and CPs in September 2011 to facilitate market preparation for the trading, clearing and settlement of securities traded and cleared under the "Dual Tranche, Dual Counter" (DTDC) model.

#### **RMB Denominated Futures and Options**

- o Surveyed CPs by way of a questionnaire in order for HKCC and SEOCH to learn more about the progress of CPs' readiness for clearing RMB denominated futures and options contracts. Invited CPs to participate in the RMB readiness test in January 2012 to verify their readiness.

**T+2 Finality Arrangement for Money Settlement in CCASS**

- o Conducted a series of briefing sessions for Custodian Participants, CPs and Designated Banks in April 2011 and co-hosted a simulation test with Hong Kong Interbank Clearing Limited for Designated Banks in June 2011 to enhance their understanding of the related CCASS enhancements and to facilitate their preparation for system and operational readiness for the T+2 Finality.
- o Following the successful launch of the T+2 Finality Arrangement on 25 July 2011, HKSCC handled 64 hotline enquiries from Participants in the first week of implementation; none was related to fault reporting.

**After-Hours Futures Trading (AHFT)**

- o Completed a market consultation on AHFT in July 2011. Issued the consultation conclusions and conducted a series of briefing sessions in December 2011 to enhance Participants' understanding of the operational model and to facilitate their preparation for system and operational readiness.

**Development of the ETF Market and Other Index Products**

- o Jointly organised a Conference on Development of ETFs and Other Index Products in Hong Kong with the Shanghai Stock Exchange in May 2011 to provide an opportunity for regulators and industry participants to discuss the development of the ETF market and other index products in the Mainland, Hong Kong and overseas markets. Over 300 participants attended the conference.

**Trading Halt Policy**

- o Conducted soft consultations with selected brokers and broker associations between October and December 2011 to gather their views and to understand their trading system requirements. This process is on-going and is expected to lead to a market consultation on a trading halt policy.

**Development of Hosting Services**

- o Conducted about 20 face-to-face meetings with IVs, EPs and technology vendors to understand their views and requirements concerning HKEx's hosting services to be provided in the new Data Centre. The information collected at the meetings has been considered in the design of the services, where appropriate. The services will be rolled out in 2012.

**Stock Exchanges, Regulators and Authorities****Cooperation and Exchange of Market Information**

- o Entered into Memorandums of Understanding with other stock exchanges and regulators for the sustainable development of financial markets. Details are set out in the HKEx 2011 Annual Report.
- o Formed an alliance with the stock exchanges of the other BRICS (Brazil, Russia, India, and South Africa) markets in October 2011 for the cross listing of their respective benchmark equity index derivatives and the furtherance of new cross-market product development opportunities.



- o Conducted the first series of HKEx's programmes for the Mainland's key regulators to promote deeper understanding of each other's business and a more solid ground for future cooperation. A total of 52 officials from the People's Bank of China, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange took part in the programmes which included meetings with HKEx's internal divisions and visits to other key authorities in Hong Kong to understand Hong Kong's securities market and offshore RMB businesses.



HKEx's Chief Executive, Charles Li (first row, fourth from left) and Head of Mainland Development, Yang Qiumei (first row, fifth from right), join guests from the People's Bank of China for a group photo.

### Listing Matters

- o Exchanged views with the Shanghai Stock Exchange and the Shenzhen Stock Exchange on the connected transactions guidelines and coordination of suspension and resumption of A+H issuers respectively.
- o Engaged with the Financial Services and the Treasury Bureau on an on-going basis to provide support and input to its initiative on the proposed statutory codification of the requirements for issuers to disclose price sensitive information.
- o Reviewed jointly with the SFC the property valuation requirements in the existing Listing Rules and the Companies Ordinance in order to streamline the requirements that could be unduly burdensome while the information may not benefit the investors materially. The joint consultation conclusions on proposed amendments to the requirements were published in October 2011.
- o Worked jointly with the SFC on the listing of business trusts.

### Key Suppliers

- o Organised a CSR briefing for key suppliers in February 2011 to introduce HKEx's supply chain management system which aims to address the significant social and environmental issues of HKEx's supply chain, and to collect key suppliers' feedback on the implementation of the system.
- o Collected CSR information from key suppliers using a CSR questionnaire and communicated to them HKEx's CSR Policy, Corporate Suppliers Policy Statement and Supplier CSR Code of Conduct.

## Employees

- o Communicated the latest strategic directions, project progress and organisation development to employees, and sought their feedback and involvement on a timely basis via the following forums:
  - 2 offsite meetings held in April 2011 and January 2012 for Directors and HKEx management; and 2 HKEx management offsite meetings held in January 2011 and January 2012;
  - 8 monthly executive forums;
  - 4 quarterly employee briefings by HKEx's Chief Executive; and
  - 2 special communication sessions with junior level employees by HKEx's Chief Executive.
- o Employees' feedback to the above forums was very positive as the forums greatly enhanced the transparency of HKEx's operations and decision-making process. The employees' suggestions and recommendations raised during the forums were followed up by the senior management as appropriate.
- o Conducted an employee survey on the administrative services and facilities at the new Data Centre in Tseung Kwan O to understand employees' needs. All responses were carefully analysed and the polling results collected would be included as part of our basis for planning, formulating and implementing the administrative services and facilities at the new Data Centre.
- o Collected employees' opinions regarding the format of the Market Opening Ceremony at the HKEx Trading Hall, which is one of the new issuers' services to help enhance the visibility of listed companies in the marketplace. A total of 477 votes were received on the symbolic instrument for the ceremony and 31 innovative proposals were received on the format and content of the ceremony. All the proposals were assessed and elements of the best proposal have been incorporated, where appropriate.



HKEx's Chief Executive Charles Li conducts a quarterly employee briefing at the Exchange Auditorium.



## Market Efficiency and Transparency

### Upgrading Market Systems

As part of the continued effort to upgrade the core market systems to ensure the provision of high quality market infrastructure and services for the investing community, the upgraded securities market trading system (AMS/3.8) and Market Data System (MDS/3.8) were successfully rolled out in December 2011. The upgrade of DCASS, which aims to shorten the overall batch processing time and enhance the online trade processing performance, was completed in December 2011. To meet continuing market demand for faster data, HKEx launched PRS Plus, a new derivatives market datafeed, in April 2011, which transmits PRS messages with 5 times the update frequency as the previous feed.

### Extension of Trading Hours

The objectives of extension of trading hours are to improve the price discovery function for Mainland-related securities listed in Hong Kong by increasing the overlap of HKEx's trading hours with the Mainland exchanges' trading hours as well as to enhance the regional competitiveness of HKEx's markets by narrowing the gaps between its trading hours and those of its regional competitors. The first phase of the extension of trading hours was implemented smoothly on 7 March 2011 without any major issue or incident reported by market participants, and the second phase will be implemented on 5 March 2012.



### Promoting Access to Market Data

HKEx opened up the Basic Market Prices Service to all IVs in April 2011 and extended the Mainland Market Data Collaboration Programme with the Shanghai Stock Exchange and the Shenzhen Stock Exchange for 2 years until the end of 2013. In addition, HKEx enhanced the contents of the Investment Service Centre on the HKEx website to provide more relevant information to the investing public, such as combination trading information. The combination trading information also became available to IVs through the PRS and PRS Plus feeds in December 2011.



### Strengthening Information Dissemination System

Consequent on the organised attacks on the HKExnews website on 10 August 2011 and the following days, HKEx took a number of immediate measures for rapid response to any new attacks and subsequently implemented infrastructure enhancements to strengthen its protection against any further attacks. HKEx also strengthened its system fallback for contingencies to ensure that investors continue to have timely access to announcements by issuers in the event of disruption of HKEx's information dissemination system. In the long-term, HKEx will explore the feasibility of a trading halt policy that would allow the trading in shares of an issuer that released price sensitive information during trading hours to resume after a short trading halt.

Details of the above initiatives and many others are set out in the Business Review section of the HKEx 2011 Annual Report which is available on the HKEx website [▶](#).

### Market Education and Financial Literacy

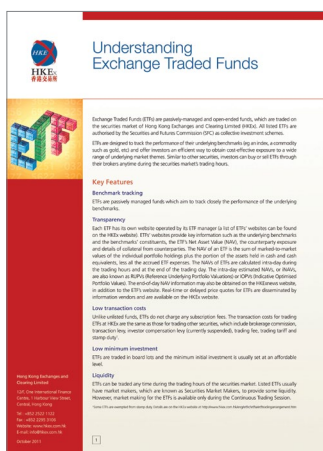
#### Caution over Risks Associated with Structured Products

In the light of the Eurozone sovereign debt crisis and market volatility, HKEx issued a joint news release with the SFC in September 2011 to remind investors holding uncollateralised structured products that they should pay close attention to the structured product issuers' financial strength and credit worthiness. Relevant information such as issuers' listing documents, the risks associated with structured products, and the credit ratings of issuers is available on the HKEx website.

#### Raise Awareness of ETFs and the Associated Risks

To provide investors with ETF information that meets their needs, we enhanced the ETF product corner on our website in October 2011 to provide more useful information and a search engine for searching and comparing ETFs. There are also new functionalities which provide investors with updated trading statistics and other reference information. Our website has been awarded the Most Informative ETF Website (Asia-Pacific) in the Annual ETF Global Awards for 3 consecutive years in 2011.

Following on our efforts in 2010 to raise investors' awareness of synthetic ETFs, we further conducted a joint review with the SFC of the risks to investors of synthetic ETFs. This resulted in the SFC requiring domestic synthetic ETFs to have at least 100% collateralisation effective 31 October 2011.





### **Listing, Trading and Clearing of RMB Products**

While the IPO process, trading and clearing of RMB products have been well tested, there is increasing market interest in the introduction of equities to be traded in RMB. The long-term growth and stability of a RMB stock market segment at HKEx is subject to the development of RMB-traded shares and the challenge of whether there is sufficient and reliable RMB liquidity in Hong Kong. Therefore, HKEx has developed the RMB Equity Issuance Models to support RMB IPO and follow-on offering as well as the RMB Equity TSF to facilitate the buying of RMB-traded equities in the secondary market. Dedicated web corners have been set up on the HKEx website to provide relevant information in relation to the preparation for listing, trading and clearing of RMB products and the development of the TSF respectively.

In addition, HKEx launched the DTDC model in September 2011 to facilitate issuers to launch shares of the same class in different currencies, and organised a number of briefing sessions for EPs and CCASS Participants to help them understand the trading, clearing and settlement arrangements under the DTDC model.

### **Academic Research and Public Education**

To support academic research in the financial markets, HKEx is the real-time market data sponsor for the simulated market environment in the Trading Laboratory of The Chinese University of Hong Kong, and was the principal sponsor of The Hong Kong Society of Financial Analyst University Investment Research Challenge 2011-2012.

In addition, HKEx sponsored an educational Q&A game on the HSI Volatility Index (a volatility benchmark launched by Hang Seng Indexes Company Limited in February 2011) organised by the Hong Kong Economic Times from May to July 2011, which attracted over 6,000 participants.

Similar to previous years, under HKEx's joint promotion programme with EPs, a total of about 5,700 participants from industry associations and retail investors attended 53 briefings and 12 seminars on derivatives trading led by HKEx. In addition, HKEx and the Hong Kong Securities Institute jointly organised 16 Continuous Professional Training courses on the HKATS terminal or derivatives.

## **High Standards of ESG**

### **Review of the Code on Corporate Governance Practices**

To provide a sound regulatory framework appropriate for the market and promote a higher level of corporate governance in line with international best practice among issuers, the Exchange conducted a market consultation on its proposed changes to the CG Code and related amendments to the Listing Rules between December 2010 and March 2011. Given the overwhelming market support, the Exchange adopted most of the proposals outlined in the consultation paper. A summary of amendments to the Listing Rules and the Corporate Governance Code, and their respective implementation dates are available on the HKEx website.

### **HKEx's Adoption of the Corporate Governance Code (Code)**

The Code is the new edition of the CG Code issued by the Stock Exchange in October 2011, and is applicable to reports covering a period after 1 April 2012. As part of our unwavering commitment to high standards of corporate governance, we have early adopted all new code provisions and, where appropriate, new recommended best practices as set out in the Code effective 1 January 2012. Details of HKEx's corporate governance principles and practices are available on the HKEx website [▶](#).



## Initiatives in Promoting Corporate Social Responsibility in the Marketplace by HKEx and Overseas Exchanges

By Research & Corporate Development Department

Global exchanges, including HKEx, have a range of initiatives to promote CSR in their marketplace.

Corporate social responsibility (CSR) is a business philosophy covering a wide range of issues such as environmental protection, human rights, philanthropy, and the well-being of employees and other stakeholders. Although approaches to CSR vary from company to company, the ultimate aim is sustainability of the business.

On one hand, stock and derivatives exchanges promote CSR practices in their own companies, while on the other hand they take an active role in promoting CSR and sustainable investment in their marketplace through market rules, guidelines and other initiatives. The World Federation of Exchanges (WFE) commissioned a study of exchanges' sustainable investment initiatives which involved a survey of 51 member exchanges and sustainable investment in August 2009 (the WFE 2009 Study). The present article draws on the experiences of overseas exchanges reported in the WFE 2009 Study and gives a brief update on the latest initiatives of some major exchanges. It then gives an overview of HKEx's initiatives in promoting CSR in the Hong Kong marketplace alongside international practices.

### The WFE 2009 Study

The WFE 2009 Study found that the WFE member exchanges' sustainable investment initiatives fall into three broad categories: (1) raising environmental, social and governance (ESG) awareness and standards among listed companies; (2) offering information products and services for sustainable investment; and (3) specialised markets for specific sustainable investment vehicles. These initiatives are summarised in the following sub-sections.

### Raising ESG awareness and standards among listed companies

CSR guidelines and publication (either voluntary or mandatory) of CSR/sustainability reports are common tools adopted by exchanges in promoting CSR among their listed companies. These are particularly reported as the best practices adopted in developing markets. Examples are Bursa Malaysia (BM), the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE) in Mainland China and the Taiwan Stock Exchange (TWSE). The THSE's regulator already requires CSR reporting and BM is moving towards the same. SSE also requires annual reports for quality CSR reporting. The Stock Exchange of Thailand (SET) on the other hand offers annual awards for listed companies which demonstrate exceptional contribution to society.

Exchange and Sustainable Investment is a report prepared by WFE on 20th March, October 2009, August 2009.

## Promoting ESG and Integrated Reporting

In view of the increasing focus on ESG performance and reporting, HKEx organised a series of free seminars and workshops for issuers between May and July 2011 to raise ESG awareness, encourage issuers to start ESG reporting, and help equip them with tools for reporting. The seminar and workshop materials, frequently asked questions and ESG reporting toolkit are available on the HKEx website. Market consultation on the proposed ESG Reporting Guide began on 9 December 2011 and will end on 9 April 2012. Subject to market comments, the Guide may be implemented as a recommended best practice. HKEx will continue to collaborate with issuers to identify ways to improve ESG disclosure in the future.

HKEx contributed a total of \$20.7 million up to 31 December 2011, including \$4.2 million in 2011, to the Financial Reporting Council to support its functions to receive and investigate possible auditing and reporting irregularities of listed companies and their potential non-compliance with financial reporting requirements.

In addition, HKEx is represented in the HKICPA's Sustainability and Integrated Reporting Advisory Group which was formed in 2011 to study the feasibility of introducing sustainability and integrated reporting in Hong Kong.

HKEx's Research & Corporate Development Department conducted a study on "Initiatives in Promoting CSR in the Marketplace by HKEx and Overseas Exchanges", details of which were disclosed in the October edition of the *Exchange* newsletter.

## Responsible Investment

HKEx has adopted some of the key principles of the United Nations Principles for Responsible Investment (UNPRI) as part of its Investment Policy and Guidelines since December 2010. As a standard practice for internal managed funds, copies of ESG disclosures are collected and updated annually from the companies in which HKEx has investments. In addition, ESG issues have been adopted as one of the criteria in HKEx's external investment manager selection process in 2011.

Further details of our marketplace management approach are available on the HKEx website.



## **Continuous Learning and Development**

### **China Focus**

To help equip our employees with the necessary knowledge and skills to support the development of our RMB business and our increasing alliance with the Mainland markets, a series of training and initiatives were launched. For instance, the “China Development Briefing Series” conducted at our Exchange Auditorium attracted 615 attendees. Distinguished speakers were invited to present topics such as the economic and market impact of RMB offshore centre, the Qualified Domestic Institutional Investor and the Mainland market structure, and the challenges and outlook of investing globally for China.

In addition to offering professional language courses to employees to improve their Putonghua, the HKEx Putonghua Learning Club “HKEx PLC” was launched to offer employees an informal setting where they can improve their Putonghua communication, socialising and public-speaking skills. The club has over 100 members with various levels of proficiency in Putonghua; some are native Putonghua speakers. The club has organised a seminar on the Mainland culture and will launch more activities going forward to promote Putonghua skills.



HKEx employees attend a seminar on the Mainland culture organised by the “HKEx PLC”.

### **HKEx Products and Services**

To ensure that employees are familiar with the products and services offered by HKEx and to strengthen the cooperation between business units, a total of 7 in-house seminars conducted by representatives from different Divisions/Departments were held between March and October 2011. A total of 414 employees attended the seminars which covered topics including HKEx’s clearing and settlement services, risk management and the HSI Volatility Index.



### Ethical and Responsible Conduct

In view of the dual role of HKEx as a regulator and a listed company, anti-corruption, privacy and data protection as well as conflicts of interest are important compliance risk areas in its daily operations. To promote a high standard of ethical and responsible conduct among employees, we continued to organise a series of statutory-related seminars including “Briefing on Integrity and Corruption Prevention” conducted by the Independent Commission Against Corruption, “Introduction to The Personal Data (Privacy) Ordinance” by the Office of the Privacy Commissioner for Personal Data, and “Introduction to Anti-discrimination Ordinances” by the Equal Opportunities Commission in Hong Kong.



#### Employee Continuous Learning and Development Statistics

- Organised a total of **93 in-house training courses** which attracted more than **5,100 participants**
- Sponsored **211 employees** to attend external seminars and **6 employees** to pursue further academic studies
- **11% of management** and **10% of non-management employees** attended anti-corruption training (up to the end of 2011, **75% of management** and **77% of non-management employees** had attended such training)
- **100% of the eligible employees** (all permanent employees who joined before 31 August 2011) participated in the annual performance appraisal exercise

### Enhancing Health and Safety

#### Health Care Seminar Series: Eat Smart for a Healthy Life

Threats to food safety constitute a growing public health concern since the intake of unsafe food can cause many acute and chronic diseases. To enhance our employees’ knowledge of food safety and hence their health and well-being, we collaborated with The University of Hong Kong’s School of Professional and Continuing Education and the Hong Kong Dietitians Association to launch a new series of in-house health care seminars “Eat Smart for a Healthy Life” from August 2011 to January 2012. In total, 720 participants attended the 7 lunchtime talks which covered topics such as food labelling, use and risk of dietary supplements, and organic food.



### Occupational Health and Safety Training

For the employees who are involved in the site preparatory work of our new Data Centre in Tseung Kwan O, we commissioned the Construction Industry Council Training Academy to conduct a “Basic Safety Training Course” to equip them with sufficient safety knowledge beforehand. More than 100 employees attended the training and passed the examination to obtain the Construction Industry Safety Card (commonly known as Green Card) for entry to the site.

For employees working in our office-based environment, we arranged for the Occupational Health Service of the Labour Department to conduct an “Occupational Safety and Health Talk – First Aid Care in the Workplace” to introduce the first aid care in emergency situations commonly encountered in the workplace. More than 100 employees attended the talk. In addition, we sponsored about 20 employees to attend the “Adult Cardio-Pulmonary Resuscitation Certificate Course” by Hong Kong St. John Ambulance. Currently, we have 49 employees located across our offices who are certified first aiders, having successfully completed first aid training sponsored by HKEx.



**Work-Life  
Balance Week**  
生活與工作平衡周  
**17-21 OCT 11**

### Supporting Work-Life Balance

HKEx joined the Work-Life Balance Week in Hong Kong from 17 to 21 October 2011 to help raise awareness of work-life balance. A number of activities were held throughout the week, including encouraging employees to leave office on time, providing them with fresh fruits, and organising a lunchtime health talk and exercise classes to promote employee well-being.



#### Family-friendly Practice

In addition to the statutory maternity leave, HKEx offers paternity leave to male employees to take care of their newborn child. A total of **29 employees** (13 female and 16 male) were entitled to and took maternity/paternity leave. The return to work rate and the retention rate after parental leave were **100%** for both male and female employees.

Our Staff Social Club, which is funded by the Company and consists of various sport and interest clubs, organised a variety of activities throughout the year to enhance work-life balance as well as personal development and employee relations. Exclusive HKEx events were organised such as the HKEx Bowling Competition, HKEx 7-a-side Soccer Challenge Cup, Movie Night and HKEx Staff Annual Dinner as well as external programmes such as cookery class, acrylic painting course, wine tasting class, photography interest class, Tai Chi course, dance class and cardio circuit training course. In the summer and autumn seasons, we organised a few one-day trips to unique parts of Hong Kong, such as the country and marine parks in Sai Kung, for our employees and their families to appreciate the importance of environmental preservation. In total, our Staff Social Club organised 55 different types of activities which attracted more than 1,700 participants.



Colleagues from the Mainland Development Department join our Chairman, Mr Arculli, and Mrs Arculli on stage at the Staff Annual Dinner 2011.



Champion of the HKEx 7-a-side Soccer Challenge Cup 2011.

Further details of our management approach to workplace quality are available on the HKEx website [▶](#).





### Charity Advisory Group

Following the establishment of the Community Investment Policy in 2010 to better guide HKEx's community investment decisions, a Charity Advisory Group (CAG) was formed in 2011 to support the implementation of the policy. The CAG, chaired by HKEx's Chief Executive, consists of representatives from across the Company who are interested in developing charitable programmes for HKEx, monitoring their progress, and reviewing their effectiveness.

### Caring for Local Community Groups and Causes

#### Big Brothers and Sisters Mentoring Programme

A total of 16 HKEx volunteers committed to the Big Brothers and Sisters Mentoring Programme in 2011/2012 which offered one-on-one mentoring for underprivileged children aged 8 to 12 through a series of activities during the year. Building on our experience from the previous year, we focused on environmental protection and community service as learning themes for the children at The Boys' and Girls' Clubs Association of Hong Kong Jockey Club Yau Tong Children and Youth Integrated Services Centre. In recognition of HKEx's contribution of over 1,000 volunteer service hours to the Big Brothers and Sisters Mentoring Programme in 2010, HKEx received the Corporate Volunteer Team Excellence Award 2010 from The Boys' and Girls' Clubs Association of Hong Kong in March 2011.



HKEx volunteers with their mentees at the "Be Friends with Nature" activity, an environmental education day programme, and the "Community Service Day" where they served the singleton elderly living in Yau Tong.

### Community Care Series for the Disabled: Bridging the Gap

One of the ways to promote a socially inclusive society is to raise awareness of the disabled people's needs and to facilitate their participation in community life. In this respect, the HKEx Volunteer Team initiated a "Community Care for the Disabled Programme" together with Hong Chi Association in July 2011. Over 40 HKEx volunteers have participated in the programme so far, which included visiting the disabled living in the Kowloon East area and understanding their living conditions, and accompanying them on an outing to celebrate the Mid-Autumn Festival. Over 100 disabled persons and their family members took part in the programme.

To support sports for all, the HKEx Soccer Team participated in a 7-a-side charity football tournament organised by the Chinese YMCA of Hong Kong Y's Men's Centre for the Deaf in November 2011. The objectives of the event were to promote public awareness of the abilities and potential of people with hearing disabilities, and to facilitate social integration. In addition, over 70 employees attended a series of in-house seminars and a visit to the "Dialogue in the Dark" exhibition to learn about the lives of those with disabilities and ways to care for them.

### Social Integration for Children with Special Needs

Following our support for the Circus for ALL Project organised by TREATS between January and March 2011 which provided a unique experience in promoting social integration for children with special needs, we collaborated with TREATS to develop a one-day Community Exploration Programme in June 2011. HKEx volunteers accompanied nearly 40 children, some with special needs, as they experienced community life through group activities in Central. Our Chief Executive met the children at the Exchange Exhibition Hall and Auditorium where they learned about the history and operation of the Exchange.



HKEx's Chief Executive Charles Li (second from right) receives a certificate of appreciation for supporting the Community Exploration Programme which promotes social integration among children.



HKEx volunteers partnered with the Haven of Hope Christian Service to visit the elderly in need in Tseung Kwan O during the Christmas period.

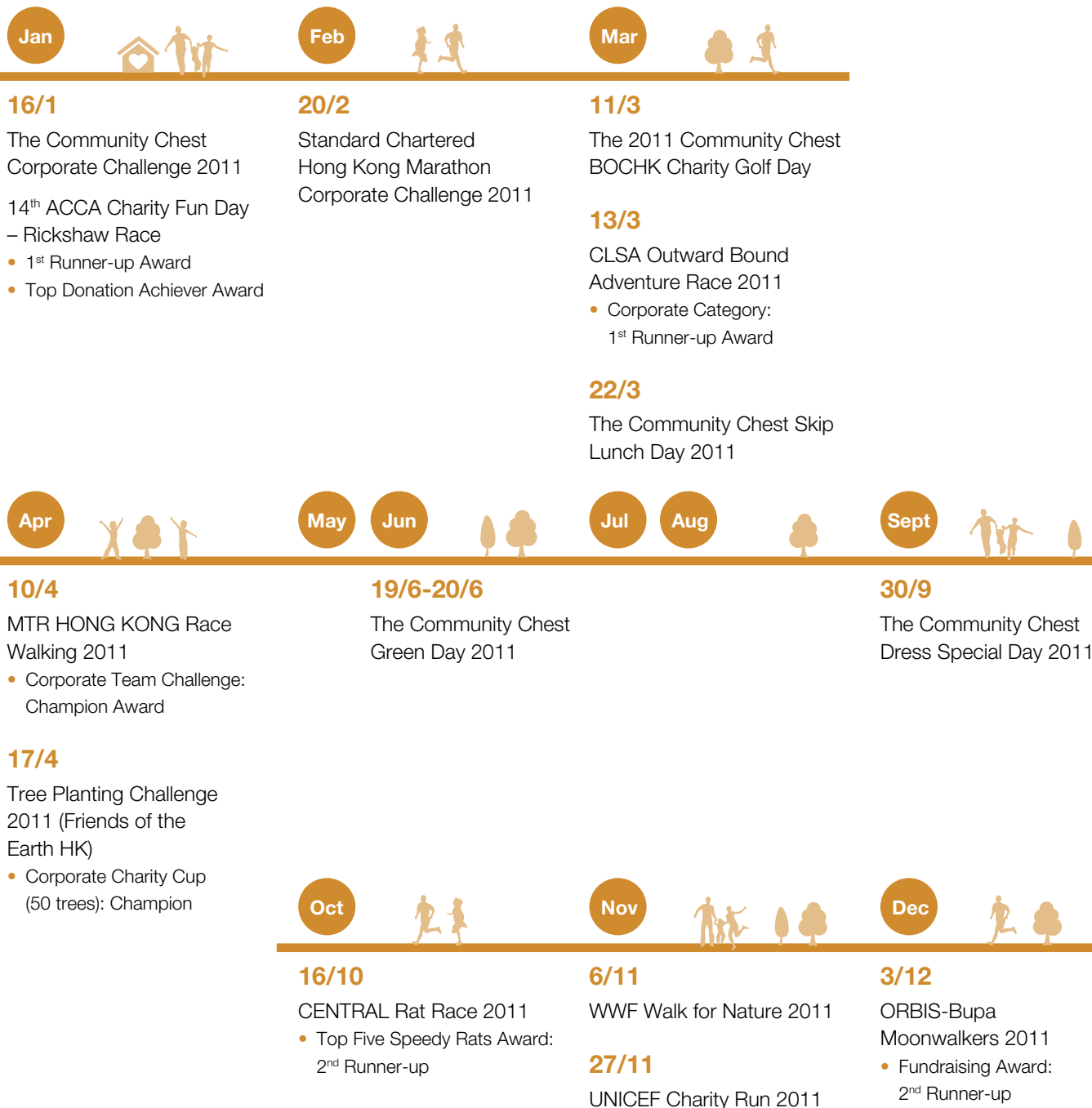
### Reaching out to Marginalised Groups

Behind the prosperity in Hong Kong, there are many marginalised groups, eg, new immigrants, single parent families, elderly with ill-health, who are living in poor conditions and relying on the Food Bank and other social services. Partnering with The Urban Peacemaker Evangelistic Fellowship, the Haven of Hope Christian Service, and the Senior Citizen Home Safety Association, nearly 80 HKEx volunteers reached out to these groups living in Tuen Mun, Tseung Kwan O and Kwai Chung by visiting their homes and bringing them basic winter supplies during the Christmas and Lunar New Year period. Through these activities, HKEx volunteers showed care and support to about 160 individuals and in particular, conducted a survey with the singleton elderly in Tseung Kwan O to facilitate the provision of appropriate social services to meet their needs.



## Raising Funds for Community Causes

HKEx employees participated in a number of external fundraising activities for various community causes. Collectively, we raised nearly \$1.2 million in donations (including corporate and employee donations) and mobilised about 1,200 participants to support the activities set out below.







## Promoting Volunteering within HKEx and in the Community

### Support Give & Gain Day 2011

HKEx joined the Give & Gain Day 2011 campaign in Hong Kong from 18 to 26 June 2011 to encourage employees to give back to the community by volunteering, and to demonstrate our support for the international volunteer movement. We organised and supported a number of programmes designed to serve different community groups in Hong Kong, including children with special needs and residents of a drug rehabilitation centre. A total of 55 HKEx volunteers contributed over 280 service hours to this campaign, both during work hours and on a weekend.

### Partnering with Elderly and Youth Volunteers

Apart from promoting volunteering among our employees, we also supported activities that encouraged volunteering among youth groups and the elderly. Through the “2010-2011 Heart to Heart Project” organised by The Hong Kong Federation of Youth Groups, we sponsored a number of “Heart to Heart School Volunteer Corps” to encourage school students to organise and implement volunteer service projects in the community.

In addition, we supported Hong Kong Family Welfare Society’s “Concern for Elderly at Dragon Boat Festival” programme through which HKEx volunteers made rice dumplings with the help of elderly volunteers and together visited the elderly in need living in To Kwa Wan during the festive season.

## Recognition for our Volunteers

### HKEx Annual Volunteer Recognition Ceremony

The HKEx Annual Volunteer Recognition Ceremony, hosted by our Chief Executive, was held in August 2011 to recognise employees who contributed 20 or more volunteer hours in 2010. According to their individual volunteer hours, 28 employees were presented with individual Volunteer Awards issued by HKEx, Certificates for Volunteer Service issued by the Hong Kong Government’s Social Welfare Department and Certificates for Caring Ambassador issued by The Hong Kong Council of Social Service. On behalf of HKEx, our Chief Executive received the Gold Certificate for Volunteer Service issued by the Social Welfare Department. During the ceremony, HKEx volunteers shared their personal experience in volunteering and representatives from The Boys’ and Girls’ Clubs Association of Hong Kong and TREATS talked about the positive impact of our volunteer efforts.



HKEx’s Chief Executive Charles Li (first row, second from left) with the awardees (individual and departmental) at the HKEx Annual Volunteer Recognition Ceremony.

Further details of our management approach to community investment are available on the HKEx website [▶](#).







## New Data Centre Meets Green Building Standard

HKEx's new Data Centre in Tseung Kwan O has achieved precertification under LEED for core & shell development gold level in August 2011 following a review of its design documentation. The Gold certification is considered a high environmental standard for data centre buildings.

The project team integrated specific considerations at the very beginning of the design stage to formulate a comprehensive environmentally preferred design. The series of design considerations taken to fulfil the LEED requirements include:



### Sustainable Site

The environmental concerns related to building landscape, hardscape, and exterior building issues have been addressed by reducing emissions associated with transportation, planting sustainable landscapes, managing stormwater runoff, reducing the heat island effect and eliminating light pollution.



### Materials and Resources

The environmental impact of materials brought into the project building, and the minimisation of materials from the project building to landfill have been considered by selecting sustainable materials, practising waste reduction, reducing waste at its source, reusing and recycling.



### Water Efficiency

The water conservation strategies and technologies have been adopted to enhance the efficient use of water resource, including the use of water efficient fixtures and rainwater recycling for irrigation.



### Indoor Environmental Quality

The environmental concerns related to indoor environmental quality, occupants' health, safety, and comfort, air change effectiveness, and air contaminant management have been addressed by improving ventilation, managing air contaminants, specifying less harmful materials, allowing occupants to control desired settings on thermal and lighting conditions, and providing daylight and views.



### Energy and Atmosphere

The reduction of energy use and optimisation of energy performance have been addressed to minimise GHG emission by using integrated whole building approach, managing refrigerants to eliminate CFCs, tracking building energy performance during designing, commissioning and monitoring.

## Environmental Education

To foster a culture of environmental protection among employees, apart from increasing employees' knowledge of environmentally responsible practices, it is important to understand the environmental concerns in the community, to appreciate nature, and to be aware of our role in protecting it. We therefore launched a series of activities for our employees and their families to promote low carbon living and greening the environment.

Over 100 participants took part in a series of eco-workshop "Waste No Waste" and a visit to the EcoPark in Tuen Mun organised in partnership with Friends of the Earth (HK). Through these activities, they learned about the waste situation in Hong Kong, waste reduction and recycling measures to tackle the mounting waste problem, the operation of local recycling industries, and ways to support them.



HKEx employees and their family members at the Visitor Centre of EcoPark in Tuen Mun.

Similar to previous years, HKEx participated in the "Tree Planting Challenge 2011" organised by Friends of the Earth (HK) at Tai Lam Country Park in April 2011 to help plant 10,000 seedlings in the area and spread the message "Save Trees, Conserve Nature". HKEx won the Championship of the Corporate Charity Cup (50 Trees) for the third consecutive year and raised a donation of \$41,600 for the event. HKEx sent 3 corporate charity teams with a total of 12 members to take part in this meaningful event and planted a total of 126 trees.

For the first time, HKEx was one of the sponsors of WWF Hong Kong's annual fundraising event "Walk for Nature" at Mai Po and about 50 employees and their family members participated in the walkathon to explore the rich biodiversity of wetlands and to take part in bird-watching and various educational activities.



HKEx employees and their family members at WWF Hong Kong's annual fundraising event "Walk for Nature" in Mai Po.



## Office Environmental Practices

### Office Environmental Inspection

As part of the implementation of our CSR Management System, the CSR Working Group completed an office environmental inspection across the Company in July 2011 to identify the extent to which office environmental practices have been implemented and any corrective or improvement actions necessary. The inspection covered 4 environmental aspects, namely energy conservation, resources saving, office waste reduction and recycling, and water conservation. A summary of findings with recommendations for improvement was communicated to all employees via the HKEx Intranet.



### Waste Audit

A waste audit across all offices was completed in October 2011 to record and review the recycling practices of our employees, and to identify areas for improvement. In addition to educating our employees on waste management, we provided additional collection facilities for recyclables and set up CSR noticeboards across our offices to communicate waste management instructions and performance data. Comparing the results of the waste audit conducted in 2010 and 2011, HKEx achieved significant improvements in the following aspects:

- **12% reduction** in the amount of general waste to be disposed of to landfill
- **57% reduction** in the amount of recyclable items found in the general waste stream

### Wastewi\$e Label

We have joined the Wastewi\$e Label recognition scheme under the Hong Kong Awards for Environmental Excellence to encourage our employees to participate in waste avoidance and waste recycling, and to further develop our green purchasing practices. The CSR Working Group formulated a set of Wastewi\$e goals based on our past performance and areas for improvement together with action plans which were communicated to all employees with the aim of achieving the goals set by the end of July 2012.

### Computer Replacement Programme

For the large-scale computer replacement programme across our offices, we made arrangements with the building management offices to collect the packing materials for recycling. Separately, we ensured that the computer supplier arranged for a registered recycling vendor to handle the obsolete computers in an environmentally responsible manner.

### Energy Efficient Lighting

The fluorescent lamps at certain locations across our offices were replaced with LED lamps, which are 5 times more energy efficient. The tungsten halogen lamps for the display boards in the Exchange Exhibition Hall were replaced with LED spotlights, which are 7 times more energy efficient.

## Business Initiatives that Reduce Paper Use

A number of business initiatives were implemented to help reduce paper use in the marketplace:



Introduced the Mixed Media Offer initiative in February 2011 jointly with the SFC to reduce the amount of printed offering documents and to promote the use of electronic listing documents with paper application forms.



Launched the Enterprise Content Management System in December 2011 to streamline the document management process and enhance operational efficiency in the Listing Division of HKEx.



Published a guidance letter in March 2011 on the disclosure requirements in formal notices for new listing applicants after noting that published formal notices have become increasingly lengthy and legalistic. HKEx will continue to liaise and work with the SFC on simplifying prospectuses and related documents by stages.



Offered issuers and advisors additional communication channels with the Listing Division of HKEx through email or the newly enhanced e-submission system in December 2011.



Launched a new web-based system, the SPRINTS in May 2011, allowing structured product issuers to submit term sheet data electronically to the Exchange in a standardised format.



Continued to promote the provision of electronic IPO (eIPO) services to new listings which facilitate potential investors to apply for new shares electronically. In 2011, 70% of new Main Board listing issuers made eIPO services an option to potential investors.



Through the single licensing regime, all market data vendor licences are consolidated into a single licence agreement to simplify the administration and to reduce paper work. By the end of October 2011, all licensed vendors had migrated to a single licence agreement.



Donated a total of \$100,000 to Friends of the Earth (HK) in respect of shareholders' election to receive electronic corporate communications.



Streamlined and simplified the debt securities listing process through amendments to the Listing Rules regarding debt securities offered to professional investors effective November 2011.

Further details of our management approach to environmental protection are available on the HKEx website [▶](#).





### Scope and Objective

Hong Kong Quality Assurance Agency (HKQAA) has been commissioned by Hong Kong Exchanges and Clearing Limited (HKEx) to conduct an independent verification of its 2011 Corporate Social Responsibility (CSR) Report (herein referred to as “the Report”). The Report stated HKEx’s CSR performance and efforts towards sustainable development for the period from 1st January 2011 to 31st December 2011.

The aim of this verification was to provide assurance of the information, including HKEx’s Greenhouse Gas (GHG) emissions, stated in the Report is accurate, reliable, material and objective.

### Methodology

The process used in this verification was based on current best practices. The Report was reviewed against the following criteria:

- The principles of completeness, accuracy, neutrality, comparability and responsiveness, as set out in the Institute of Social and Ethical AccountAbility standard AA1000, and
- The Global Reporting Initiative (GRI) G3.1 Guidelines and Financial Services Sector Supplement

The verification procedure included reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the Report and verifying the selected representative sample of data and information consolidated in the Report. Raw data and supporting evidence of the selected samples were thoroughly examined.

### Conclusion

Based on the outcome of the verification process, it is opined that the Report fulfils the A+ application level of the GRI G3.1 Guidelines.

The information presented in the Report provided a structured, balanced and consistent representation of HKEx’s CSR performance in the context of sustainable development. We are satisfied that the Report includes factual statements and the data contained within the Report is accurate and reliable. It is a fair and honest representation of HKEx’s initiatives, targets, progress and performance on its sustainable development achievements.

SIGNED ON BEHALF OF HONG KONG QUALITY ASSURANCE AGENCY

A handwritten signature in black ink that reads 'Caroline Kwan'.

**Caroline Kwan**  
16 February 2012

A handwritten signature in black ink that reads 'Connie Sham'.

**Connie Sham**  
16 February 2012





## Statement GRI Application Level Check

GRI hereby states that **Hong Kong Exchanges and Clearing Limited** has presented its report "2011 Corporate Social Responsibility Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

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

Amsterdam, 14th of February 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI logo in the background.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because **Hong Kong Exchanges and Clearing Limited** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

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

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on the 3rd of February 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

## GLOSSARY

Board	HKEx's board of directors
BRICS	Refers to Brazil, Russia, India, China and South Africa, in connection with the BRICS Exchanges Alliance
CCASS	The Central Clearing and Settlement System
CFCs	Chlorofluorocarbons
CG Code	Code on Corporate Governance Practices
CPs	Clearing Participants
CSR	Corporate Social Responsibility
DCASS	The Derivatives Clearing and Settlement System
Director(s)	HKEx's director(s)
EMSD	Electrical and Mechanical Services Department, Hong Kong Government
EPD	Environmental Protection Department, Hong Kong Government
EP(s) or Participant(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
Exchange or Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
FSC	Forest Stewardship Council
GEM	The Growth Enterprise Market
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GRI G3.1 Guidelines	GRI G3.1 Sustainability Reporting Guidelines
Group	HKEx and its subsidiaries
GWP	Global Warming Potential
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
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong Government	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
HSI	Hang Seng Index
INEDs	Independent Non-executive Directors
IPO	Initial Public Offering
ISO	International Organization for Standardization
IT	Information Technology
IVs	Information Vendors
Listing Rules or Rule	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
OHSAS	Occupational Health and Safety Assessment Series
OTC	Over-the-counter
PRS	The Price Reporting System
RMB	Renminbi
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
Shareholders	HKEx's shareholders
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute
\$/HKD	Hong Kong Dollar



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