

TOWARDS  
BETTER  
**GROWTH**  
AND A  
SUSTAINABLE  
**FUTURE**

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# ABOUT CK HUTCHISON

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**CK Hutchison Holdings Limited (the “Company” together with its subsidiaries, controlled affiliates and material associates, the “Group”) is a multinational conglomerate engaged in five core businesses – ports and related services, retail, infrastructure, energy, and telecommunications.**

**The Group is committed to development, innovation and technology in these core businesses. It operates in over 50 countries across the world with over 300,000 employees, and has a strong commitment to the highest standards of corporate governance, transparency and accountability, as recognised by numerous international awards and commendations.**

## **Ports and Related Services**

The Group's Ports division is the world's leading port investor, developer and operator. It holds interests in 52 ports comprising 290 operational berths in 27 countries, including container terminals operating in six of the 10 busiest container ports in the world. In 2019, Hutchison Ports handled a total throughput of 86 million twenty-foot equivalent units. Hutchison Ports also participates in river trade, cruise terminal operations and ports related logistics services.

Kingdom, Continental Europe, Australia, New Zealand and Canada.

## **Energy**

Through its associated company Husky Energy Inc. (“Husky”), the Group's investments in energy are principally located in Western and Atlantic Canada, the United States and the Asia Pacific Region. Husky is an integrated energy company with upstream and downstream segments and is listed in Canada.

## **Retail**

The Group's Retail division, A.S. Watson Group, is the world's largest international health and beauty retailer, with over 15,700 stores in 25 markets worldwide. Its diverse retail portfolio comprises health and beauty products, supermarkets, as well as consumer electronics and electrical appliances. It also manufactures and distributes bottled water and beverage products in Hong Kong and Mainland China.

## **Telecommunications**

As a pioneer in mobile data communication technologies, the Group's Telecommunications division is a leading global operator and innovator of converged telecommunications and digital services around the world, implementing innovative technologies in international interconnectivity. The division serves approximately 100 million customers in 12 markets: the United Kingdom, Ireland, Denmark, Italy, Austria, Sweden, Sri Lanka, Vietnam, Australia, Indonesia, Hong Kong and Macau. It is now progressively rolling out 5G in Europe and Hong Kong.

## **Infrastructure**

The Group's infrastructure division includes its interests in CK Infrastructure Holdings Limited (“CKI”) and six infrastructure assets that are co-owned with CKI, a global infrastructure company with investments and developments in different parts of the world. CKI has diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure related businesses. Its investments and operations span across Hong Kong, Mainland China, the United

# MESSAGE FROM THE CHAIRMAN

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Welcome to the first standalone Sustainability Report of the CK Hutchison Group. This is a pivotal step in the Group's sustainability reporting journey that began decades ago. Through this Report, the Board hopes to provide higher transparency on what the Group has been doing in the sustainability arena.

The long-term sustainability of the Group's businesses has always been our concern. As a multinational conglomerate, the Group has implemented numerous measures to strengthen governance and mitigate risks over the past years. For the businesses to be successful, they have to actively engage stakeholders, conduct business the proper way, and fulfil their duties as good corporate citizens. The actual activities take different forms depending on the industry and jurisdiction, but the premise is the same. We have to give our customers value for money, treat our employees fairly, ensure the long-term health of the environment, and create returns for our shareholders.

The frameworks and strategies that are designed and implemented are sector and country specific and are constantly adapted to reflect evolving market landscapes and ensuing sustainability risks. The Board has mandated the business divisions to develop best in class sustainability frameworks to mitigate these risks and to compare with peers in their industries.

Even though this is a 2019 report, the COVID-19 pandemic had an unprecedented effect on businesses and the world in 2020. Many of the Group's businesses provide essential services to the community from pharmaceuticals to electricity and water. Safety and hygiene measures have been introduced for retail customers including ensuring adequate supply of daily necessities. For many people working from home or video conferencing school lessons, the Group's telecom networks are instrumental in keeping people connected. In response to the unstable global supply of hygienic face masks, in a short number of months, A.S. Watson transformed part of its distilled water and beverage manufacturing factory into a dust-free clean plant for producing Own Brand face masks with ASTM Level 3 certification and aims to produce 10 million masks a month. The Company is also taking great care of the employees who have to work to provide these essential services, and continue to improve the hygiene and work policies to reflect the latest information and guidelines.

It is hoped that this Report will provide readers a better understanding of the progress of the Group's major divisions to-date and where the Group is heading.

The appendix of this Report contains some of the major philanthropic initiatives my family, through the Li Ka Shing Foundation, engages in. For many years, the Foundation seeks to inspire societal improvement through supporting education and healthcare initiatives. We also believe these initiatives are personal and should not involve the Company's resources unnecessarily. Some of the Foundation's latest projects are included at the end of this Report, with further details available at [www.lksf.org](http://www.lksf.org).

Thank you,

Victor T K Li  
Chairman, CK Hutchison  
30 June 2020



# HIGHLIGHTS

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## CK Hutchison

- **Sustainability Committee** elevated as a Board committee, comprising two Executive Directors and an Independent Non-executive Director
- **Sustainability Working Group** comprising senior management at the Company and core business levels
- **Half-yearly** sustainability risk analysis strengthened at the Head Office and at all division levels
- **8%** reduction in carbon intensity compared to the previous year

## Ports and Related Services

- **Group Environmental Committee** established to coordinate environmental management efforts across 52 ports
- **36%** reduction in hazardous waste compared to the previous year
- **22%** reduction in number of work-related incidents compared to the the previous year

## Retail

- A Millennial Corporate Social Responsibility ("CSR") Committee with 14 millennial staff launched to leverage strong passion in the younger generation for CSR
- **30%** reduction in carbon emissions compared to 2015 baseline
- Watsons Water being the first beverage company in Hong Kong to introduce reverse vending machines
- First food retailer in Hong Kong to trial less plastics on fruits and vegetables

## Infrastructure

- Testing facility for 100% hydrogen launched by Northern Gas Networks to deliver quantified safety evidence for reference of UK government policy decision on hydrogen for use in gas network
- Completed and constructing three new gas-fired generating units equipped with Selective Catalytic Reduction systems in Hong Kong to reduce air emissions

## Energy

- **45%** reduction in methane emissions since 2014
- **542,640** trees planted post asset retirement
- **55%** increase in indigenous procurement since 2016

## Telecommunications

- Climate Working Group established at CK Hutchison Group Telecom Holdings ("CKHGT")
- CDP disclosure committed for CKHGT

# SUSTAINABILITY AT CK HUTCHISON



## Group Key Sustainability Mission:

“ The Group is committed to adhering to strategic development that will create sustainable long-term value for all stakeholders and communities. ”



Read more about  
CK Hutchison's  
Sustainability Policies

## 4.1. Sustainability Governance

The Group's sustainability governance structure provides a solid foundation for developing and delivering its commitment to sustainability, which is embedded at all levels of the Group, including the Board, the Sustainability Committee, Audit Committee, the Working Groups and all core businesses. It guides businesses to implement sustainability strategy, manage goals and target setting and reporting processes, strengthen relations with internal and external stakeholders, and also ensure overall accountability.

### The Group's Sustainability Governance



A suite of foundational policies, including the Group-wide "Corporate Social Responsibility ("CSR") Policy", serve as the ultimate guiding principles for sustainability practices within the Group, putting its values into action across the businesses and detailing the Group's commitments to business integrity, people, environment and communities the Group operates in.

The Group's sustainability governance is further bolstered by the adoption of the bi-annual self-assessment process across the businesses. Together with the internal and external audit assurance, this serves as an important tool for the Group to manage its enterprise and process risks and ensure statutory and regulatory compliances including sustainability-related reporting in order to provide reasonable assurance to the Board, via the Sustainability and Audit Committees, on an ongoing basis. For more information, please refer to Section 4.2. *Approach to Sustainability*.

#### 4.1.1. The Board

The Board has ultimate accountability for the Group's sustainability strategy, management, performance and reporting through the support of the Sustainability Committee and the Audit Committee.

The Board examines and approves the Group's sustainability objectives, strategies, priorities, initiatives and goals, as well as the related significant policies and frameworks that support their achievement.

The Sustainability Committee and the Audit Committee report to the Board on sustainability risks and opportunities, which the Board examines and reviews with the committees periodically, then impact on business strategy, including new investments.

##### 4.1.1.1. Sustainability Committee

This year, alongside the Group's enhanced efforts to further strengthen sustainability reporting by expanding and prioritising Group-wide efforts and activities on sustainability was the elevation of the Sustainability Committee to the Board level.

Formed in 2010 and formerly known as the ESG/CSR Committee, the Sustainability Committee was formally established as a Board committee, comprising three Board members and chaired by Mr Frank Sixt, Group Finance Director and Deputy Managing Director, to oversee the management and advise the Board on the development and implementation of the sustainability and CSR initiatives of the Group, including reviewing the related policies and practices, and assessing and making recommendations on matters concerning the Group's sustainability governance, strategy, planning and risks. The Committee meets at least twice a year.

**The Sustainability Committee oversees the implementation of the sustainability strategy of each core business. It monitors the performance of core businesses against specific targets and roadmaps set and hold them accountable.**

Key responsibilities of the Sustainability Committee include:

- Proposing and recommending to the Board on the Group's sustainability objectives, strategies, priorities, initiatives and goals
- Overseeing, reviewing and evaluating actions taken by the Group in furtherance of the sustainability priorities and goals, including coordinating with the core businesses and ensuring that the operations and practices adhere to the relevant priorities and goals
- Reviewing and reporting to the Board on sustainability risks and opportunities
- Monitoring and reviewing emerging sustainability issues and trends that could impact the business operations and performance of the Group
- Overseeing and reviewing the Group's sustainability related policies, practices, frameworks and management approach, so as to recommend improvements
- Overseeing the impact of the Group's sustainability initiatives on its stakeholders, including employees, shareholders, local communities and the environment
- Reviewing and advising the Board on the Company's public communications, disclosures and publications (including the Sustainability Report) as regards to its sustainability performance
- Performing such further functions related or incidental to the foregoing which the Committee deems appropriate.

For more information, please refer to the [Terms of Reference of the Sustainability Committee](#).

#### Sustainability Related Expertise of the Sustainability Committee members:

##### Mr Frank Sixt

- has almost four decades of legal, global finance and risk management experience
- possesses deep expertise in overseeing financial reporting system, risk management and internal control systems as well as sustainability issues and related risks
- plays a lead role in orchestrating concerted efforts across the Group's worldwide operations to integrate sustainability considerations into the risk assessment and investment decisions of the Group
- spearheads the Group's broadened mandate in further strengthening sustainability reporting by expanding and prioritising Group-wide efforts and activities on sustainability

- a director of Li Ka Shing Foundation ("LKSF") which has invested over HK\$27 billion to develop education and healthcare initiatives, with over 80% of the projects benefiting the Greater China region
- with LKSF, has been involved in numerous early stage investments in health and wellness innovation, food chain, carbon and other sustainability technology start-ups

##### Ms Edith Shih

- has over three decades of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields
- holds key roles in numerous committees and panels of public, regulatory and professional bodies which focus on governance, compliance and sustainability
- International President and Executive Committee Chairman of The Chartered Governance Institute and a past President of The Hong Kong Institute of Chartered Secretaries
- Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants
- a member of the Process Review Panel for the Financial Reporting Council
- a member of the Council and Executive Committee, and Chairman of the General Management Committee of The Hong Kong Management Association
- a member of the Council and Human Resources Committee of the Hong Kong University of Science and Technology and a trustee of Teachers College, Columbia University
- a member of the Executive Committee and Honorary Legal Advisor of Helping Hand (charity for the elderly)

##### Dr Wong Yick-ming, Rosanna, DBE, JP

- has over four decades of experience in the non-profit arena and in public service
- Chairman of Asia International Schools Limited
- Senior Advisor to The Hong Kong Federation of Youth Groups
- a member of the 13<sup>th</sup> National Committee of the Chinese People's Political Consultative Conference
- a steward of The Hong Kong Jockey Club
- Honorary Chairman of World Vision Hong Kong
- a member of the Board of Governors of Our Hong Kong Foundation
- a former member of Executive and Legislative Councils of Hong Kong Government

For details of their respective biographies, please refer to pages 77, 78 and 81 [of the Company's 2019 Annual Report](#).

#### 4.1.1.2. Audit Committee

The Audit Committee maintains oversight of the effectiveness of the Group's financial reporting, risk management and internal control systems, and is responsible for reviewing the policies and practices of the Group on corporate governance including compliance with legal and regulatory requirements. For more information, please refer to the [Terms of Reference of the Audit Committee](#) and [the Company's 2019 Corporate Governance Report](#).

#### 4.1.1.3. Sustainability Working Group

The Sustainability Working Group comprises the core of the sustainability management and senior executives from business units linked to the sustainability topics which are deemed material to Head Office and the Group. This broad-based involvement ensures that the wider interests of the Group in the development of sustainability strategies are adequately represented.

The Sustainability Working Group assists the Sustainability Committee in discharging its responsibilities, including but not limited to:

- Coordinating and directing the execution of the Group's sustainability objectives, strategies, priorities, initiatives and goals
- Establishing the Group's sustainability-related policies, maintaining their relevance in line with the Group's mandates and regulatory requirements, and monitoring their Group-wide implementation
- Communicating the Group-wide sustainability initiatives and facilitating cross-business sharing of good sustainability practices
- Engaging key external stakeholders on emerging sustainability issues and trends that could impact the Group's businesses and performance
- Reviewing material sustainability risks and opportunities of core businesses and assessing if they are appropriately managed (including goal and target setting) in line with the Group's relevant priorities
- Monitoring core businesses' sustainability performance data against defined goals and targets
- Reporting to the Sustainability Committee on the Group's material sustainability issues, risks and opportunities, and performance progress
- Ensuring the sustainability disclosure and publications are fair, consistent, accurate and meaningful.

#### Sustainability Working Group Members

|   |
|---|
| Group Finance Director and<br>Deputy Managing Director (Co-Chair) |
| Executive Director and<br>Company Secretary (Co-Chair)            |
| Group Deputy Chief Financial Officer                              |
| Group Treasurer   |
| General Manager – Group Management Services<br>(Internal Audit)   |
| General Manager – Group Corporate Affairs                         |
| General Manager – Group Human Resources                           |
| Group General Counsel   |
| Sustainability Manager  |

To further enhance overall coordination and execution of sustainability initiatives among core businesses and the Sustainability Working Group as well as reporting to the Sustainability Committee, the Company has created a new position, the Sustainability Manager, at the Head Office level.

#### 4.1.1.4. Governance Working Group

To assist the Audit Committee and Sustainability Committee, the Governance Working Group, chaired by the Executive Director and Company Secretary and comprising representatives from the functional departments of the Company, provides timely reviews and updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for Group-wide adoption.

On a quarterly basis, the Governance Working Group presents to the Audit Committee an overall corporate governance compliance review providing updates on key continuous compliance matters during the review period, including a report on the compliance status with respect to the Corporate Governance Code under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), a report on regulatory compliance and legal matters, continuous professional development training



undertaken by directors as well as any update on governance policies and procedures.

#### Governance Working Group Members

|   |
|---|
| Executive Director and<br>Company Secretary (Chair) |
| Group Deputy Chief Financial Officer                |
| Group Treasurer                                     |
| General Manager – Group Management Services         |
| General Manager – Group Corporate Affairs           |
| General Manager – Group Human Resources             |
| Group General Counsel                               |

#### 4.1.1.5. Cyber Security Working Group

The Cyber Security Working Group, chaired by the Group Finance Director and Deputy Managing Director, comprises relevant technical specialists from the Telecommunications division, internal audit function and Group Information Services Department. It oversees the Group's cyber security defences to ensure that the Group's efforts in this area is effective, coherent, and well-coordinated.

Key responsibilities include:

- Monitoring cyber threat landscape to gain insights into emerging and existing attack activities and their implications
- Setting out the Group's cyber defence strategies, priorities and plans
- Overseeing the Group's cybersecurity risks to ensure that they are appropriately managed in line with the Group's strategies and priorities
- Establishing relevant policies, procedures and guidelines for Group-wide adoption
- Defining key performance metrics for ongoing monitoring and improvement.

#### 4.1.1.6. Core Businesses (Group Divisions)

The everyday implementation of the Group's sustainability approach relies on each core business supported by its own sustainability working group/taskforce.

**Each core business is required to review the progress made and report performance against the agreed targets to the Sustainability Working Group at least twice a year.**

Key responsibilities include:

- Implementing locally-tailored policies and programmes in support of the Group's sustainability objectives, strategies, priorities, initiatives and goals
- Integrating sustainability considerations into business and investment decision-making processes
- Carrying out sustainability risk and control management activities, where material issues or risks are identified, assessed and mitigated
- Setting sector and country-specific goals and targets
- Measuring actual performance data against defined goals and targets, and continuously improving sustainability performance by applying additional measures (e.g. new technology)
- Escalating promptly on material sustainability issues
- Reporting sustainability target performance and self-assessment results on the effectiveness of risk management and internal control systems in place to the Head Office.

#### 4.1.1.7. Internal Audit (Group Management Services)

The internal audit function, reporting directly to the Audit Committee and administratively to the Group Finance Director and Deputy Managing Director, provides independent assurance as to the effectiveness of the risk management activities and controls in the Group's business operations worldwide.

Key responsibilities include:

- Performing independent reviews of the Group's reporting and self-assessment on sustainability risks and controls;
- Conducting regular audits (including sustainability and corporate governance-related topics) and providing recommendations for continuous improvement;
- Following up and investigating material breaches of the Group's Code of Conduct (fraud related); and
- Reporting to the Audit Committee and Sustainability Committee regarding the effectiveness of the Group's risk management and internal control systems.

For more duties of the internal audit function, please refer to [the Company's 2019 Corporate Governance Report](#).

## 4.2. Approach to Sustainability

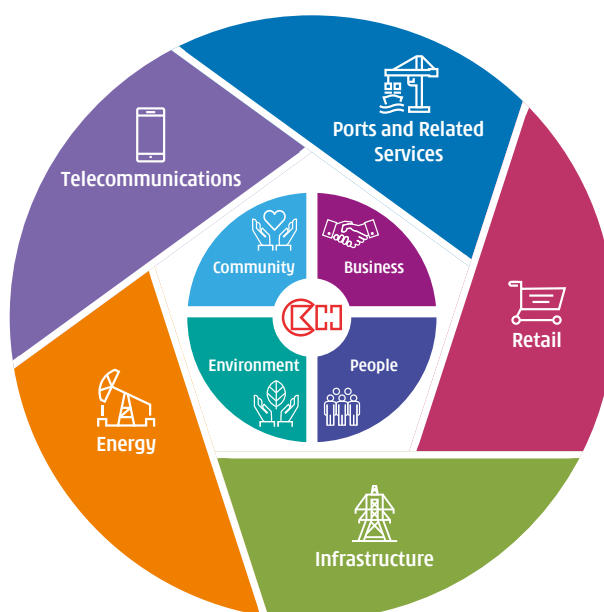
The Group is committed not just to its shareholders, but also to a wide range of stakeholders including employees, customers, suppliers, creditors, regulators and the community. Taking a proactive approach to sustainability is not only a part of the Group's heritage, inherent in the various strands of the corporate strategy of the Group, but is also crucial to the Group's business success. Sustainability is an integral element in maintaining the Group's position as a responsible business that contributes positively to the development of the communities in which the Group operates.

### 4.2.1. CSR Pillars and Policies

The Group's overall sustainability approach and priorities are built on four pillars, namely **Business, People, Environment** and **Community**. Each pillar is supported by Group-wide policies, leadership at the Group level and the collective efforts of each core business. These four pillars guide the Group in setting the overall direction of its sustainability strategy to integrate sustainability across its worldwide businesses. The Group has policies, procedures and guidelines in place to support management in addressing material sustainability issues across the Group, as described throughout this Report.

As an integral part of sustainability governance, these self-assessment results are subject to internal audits, then submitted to the Executive Directors, the Audit and Sustainability Committees for reviews and approval. Relevant Self-assessment results are also shared with external auditors. For more information, please refer to Section 4.3.3. *Internal Control Environment* and [the Company's 2019 Corporate Governance Report](#).

### The Group's CSR Pillars



#### Business

- Sustainable Business
- Long-term Return
- Compliance
- Integrity
- Fair Business Practices
- Good Corporate Governance



#### People

- Business Ethics and Conduct
- Anti-discrimination
- Diversity
- Professional Development
- Health and Safety
- Staff Remuneration and Recognition



#### Environment

- Environmental Compliance
- Target Setting
- Environmental Management
- Minimising Environmental Impact
- Environmentally-friendly Products and Processes
- Supporting Conservation and Environmental Protection








#### Community

- Employee Volunteerism
- Education
- Medical
- Health
- Elderly Care
- Arts and Culture
- Sports
- Disaster Relief

The table below highlights relevant policies and procedures in place to support the execution of Group-wide priorities under each pillar:


| Pillars   | Priorities  | Policies   |
|---|---|--|
|   |  Business  |  |
| <ul style="list-style-type: none"> <li>Enhancing <b>long-term return</b> for its shareholders.</li> <li>Focusing on <b>sustainable development</b> of its businesses and the communities it operates in.</li> <li>Complying with all relevant and applicable <b>laws and regulations</b> within its operational frameworks.</li> <li>Conducting business with uncompromising <b>integrity</b>.</li> <li><b>Safeguarding</b> against <b>unfair business practices</b>.</li> <li>Achieving a high standard of <b>corporate governance</b> and emphasising a quality board, sound internal control, transparency and accountability to all stakeholders.</li> </ul>  | <ul style="list-style-type: none"> <li>Sustainability Committee escalated as a Board committee and led by two Executive Directors and one Independent Non-executive Director to oversee sustainability processes.</li> <li>Continue and enhance Group-wide <b>compliance</b> with anti-bribery and corruption laws, tax compliance policies as well as data privacy and cyber security laws.</li> <li>Increase <b>transparency</b> on existing policies and procedures.</li> <li>Ensure <b>fair</b> and <b>transparent tendering</b> processes.</li> <li>Integrate sustainability objectives in global <b>sourcing</b>.</li> <li>Streamline processes, knowledge sharing and increase <b>monitoring</b> with respect to <b>supplier</b> through digital tools.</li> <li>Encourage use of <b>digital tools</b> to augment customer experience .</li> </ul> | <ul style="list-style-type: none"> <li>Code of Conduct </li> <li>Anti-Fraud and Anti-Bribery Policy </li> <li>Information Security Policy </li> <li>Policy on Appointment of Third Party Representatives </li> <li>Policy on Personal Data Governance </li> <li>Supplier Code of Conduct </li> <li>Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control </li> <li>Policy on Securities Dealing and Handling of Confidential and Price-Sensitive Inside Information </li> <li>Board Diversity Policy </li> <li>Director Nomination Policy </li> <li>Shareholder Communication Policy </li> <li>Competition Compliance Policy</li> <li>Policy on Financial Management and Procedures</li> </ul> |
|   |  People  |  |
| <ul style="list-style-type: none"> <li>Upholding a high standard of <b>business ethics and personal conduct</b> of its employees.</li> <li>Adhering to <b>non-discriminatory</b> employment practices and procedures.</li> <li>Providing a positive work environment that values the wide-ranging perspectives inherent in its <b>diverse workforce</b>.</li> <li>Fostering <b>individual growth</b> and achievement of business goals and offering a wide range of training and development programmes and interest courses and activities.</li> <li>Maintaining proper systems to ensure internal equity and external competitiveness of <b>staff remuneration</b> and <b>recognition</b>.</li> <li>Providing a <b>safe</b> workplace for all its employees.</li> </ul> | <ul style="list-style-type: none"> <li><b>Retain</b> and motivate talent with appropriate <b>training</b>.</li> <li>Promote a <b>diverse</b> culture.</li> <li>Improve workplace <b>safety and well-being</b> across the Group.</li> <li>Take immediate and effective measures to eradicate <b>human trafficking</b> and <b>modern slavery</b>.</li> <li>Work closely with <b>suppliers</b> to improve the <b>working conditions</b> in the supply chain.</li> </ul>  | <ul style="list-style-type: none"> <li>Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control </li> <li>Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information </li> <li>Health and Safety Policy </li> <li>Human Rights Policy </li> <li>Modern Slavery and Human Trafficking Statement </li> <li>Supplier Code of Conduct </li> <li>Code of Conduct </li> <li>Anti-Fraud and Anti-Bribery Policy </li> <li>Employment Policy</li> </ul>   |



| Pillars   | Priorities  | Policies   |
|---|---|--|
|   |  <b>Environment</b>  |  |
| <ul style="list-style-type: none"> <li>Complying with or exceeding the relevant laws and regulations to control any <b>greenhouse gas emission, discharges into water and land, and waste generation.</b></li> <li>Setting <b>targets</b> and reviewing and assessing the results regularly to ensure the efficiency of the measures to control emissions.</li> <li><b>Monitoring</b> and managing the use of resources, including energy, water and other raw materials.</li> <li><b>Minimising the impact</b> of its business activities on the environment and natural resources.</li> <li>Developing and implementing <b>environmentally-friendly products and processes</b> with potential commercial applications.</li> <li>Encouraging and providing support for <b>conservation and environmental protection programmes.</b></li> </ul> | <ul style="list-style-type: none"> <li>Increase <b>training</b> across the Group.</li> <li>Source more <b>sustainable options</b> for consumers.</li> <li>Decrease environmental impact across all businesses through <b>reduction in carbon</b> and <b>single use plastic</b> projects and initiatives.</li> </ul> | <ul style="list-style-type: none"> <li>Environmental Policy </li> <li>Supplier Code of Conduct </li> </ul> |
|   |  <b>Community</b>  |  |
| <ul style="list-style-type: none"> <li>Focusing community initiatives including <b>employee volunteerism, education, medical, health and elderly care, arts and culture, sports and disaster relief.</b></li> <li>Implementing internal guidelines and controls on donations and contributions to safeguard stakeholders' and shareholders' interests.</li> <li>Encouraging <b>employees</b> to play a positive and active role in the community.</li> </ul>  | <ul style="list-style-type: none"> <li>Educate and recruit <b>young talent.</b></li> <li>Launch charitable programmes and digital inclusion for the <b>underprivileged.</b></li> </ul>  | <ul style="list-style-type: none"> <li>Media, Public Engagement and Donation Policy </li> </ul>   |

These policies, procedures and guidelines are adopted Group-wide, based on each core business which devises its own set to meet local operational needs and to comply with local legal and regulatory requirements, and on a continuous basis, monitors their execution and compliance through regular management reviews and reporting.

For Group-wide monitoring, on a half-yearly basis, each core business is required to formally conduct a self-assessment in relation to its enterprise risk management, operations, as well as statutory and regulatory compliances such as tax and anti-fraud and anti-corruption practices. Goals and targets reporting on sustainability issues also form part of the bi-annual self-assessment process.

As an integral part of sustainability governance, these self-assessment results are subject to internal audits, then submitted to the Executive Directors, the Audit and Sustainability Committees for review and approval. For more information, please refer to Section 4.3.3. *Internal Control Environment* and  the Company's 2019 Corporate Governance Report.

#### 4.2.2. Stakeholders Engagement

The Group maintains ongoing dialogues with its key stakeholders, including employees, shareholders, investors, customers, business partners, creditors, suppliers, professional institutions, non-government organisations, regulatory authorities and media. The Group regularly collects views from stakeholders through a variety of channels, such as meetings, liaison groups, panel discussions, workshops, surveys and feedback programmes.

The following table summarises the channels established to engage and communicate with stakeholders to understand their views and expectations.

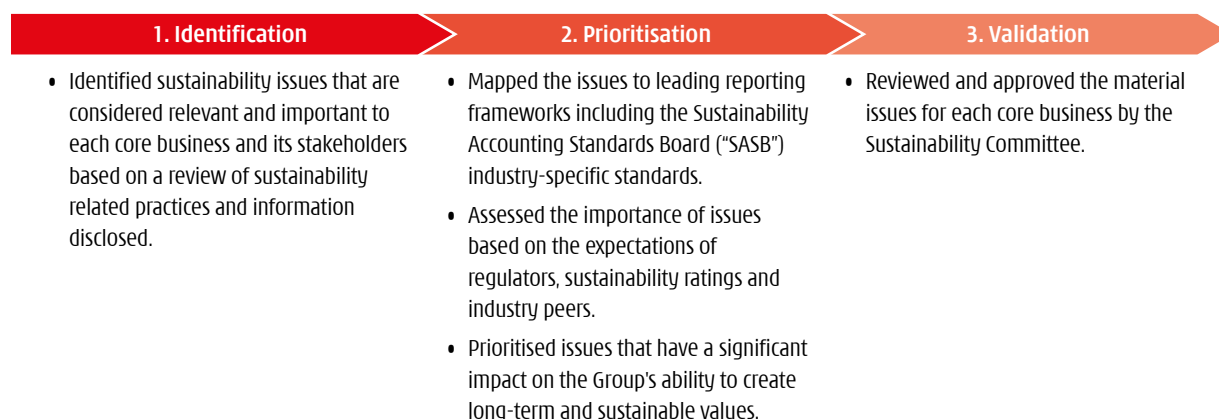
| Key Stakeholders                    | How We Engage  |  |
|-------------------------------------|--|--|
| <b>Business partners</b>            | <ul style="list-style-type: none"> <li>On-site visits</li> <li>Physical and virtual meetings</li> <li>Regular business reports</li> </ul>  | <ul style="list-style-type: none"> <li>Regular gatherings and seminars</li> <li>Relationship-building events</li> </ul>  |
| <b>Creditors</b>                    | <ul style="list-style-type: none"> <li>Announcements and circulars</li> <li>Corporate communications</li> </ul>  | <ul style="list-style-type: none"> <li>Interim and annual reports</li> <li>Meeting with banks/creditors</li> </ul>   |
| <b>Customers</b>                    | <ul style="list-style-type: none"> <li>Company websites</li> <li>Customer feedback programmes</li> <li>Customer hotlines and email enquiries</li> <li>Customer liaison groups</li> <li>Customer loyalty events</li> </ul>  | <ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Daily operations and storefront interactions</li> <li>On-site customer representatives</li> <li>Relationship manager visits &amp; one-on-one meetings</li> <li>Seasonal seminars/conferences</li> </ul>  |
| <b>Employees</b>                    | <ul style="list-style-type: none"> <li>Business briefings</li> <li>CSR programmes &amp; communications</li> <li>Employee newsletters</li> <li>Employee surveys</li> <li>Employee wellness programmes</li> <li>Family Day</li> <li>Focus groups</li> </ul>                            | <ul style="list-style-type: none"> <li>Graduate recruitment and internship programmes</li> <li>Health &amp; safety programmes</li> <li>Intranet platform for internal communications</li> <li>Performance and development discussions</li> <li>Regular department meetings</li> <li>Staff engagement in CSR projects</li> <li>Trainings and workshops</li> </ul> |
| <b>Media</b>                        | <ul style="list-style-type: none"> <li>Interviews</li> <li>Media events</li> <li>Press conferences/briefings</li> </ul>  | <ul style="list-style-type: none"> <li>Press releases</li> <li>Social gatherings</li> </ul>  |
| <b>Non-government organisations</b> | <ul style="list-style-type: none"> <li>Community investments and donations</li> <li>CSR programmes/interviews</li> <li>Meetings</li> <li>On-site visits</li> </ul>   | <ul style="list-style-type: none"> <li>Staff workshops</li> <li>Strategic collaborations and joint-working groups</li> <li>Volunteer activities</li> </ul>   |
| <b>Professional Institutions</b>    | <ul style="list-style-type: none"> <li>Committee/working groups</li> <li>Meetings/visits/workshops</li> </ul>  | <ul style="list-style-type: none"> <li>Memberships</li> <li>Questionnaires</li> </ul>  |
| <b>Regulatory Authorities</b>       | <ul style="list-style-type: none"> <li>Ad-hoc enquiries</li> <li>Circulars/guidelines</li> <li>Compliance reporting</li> <li>Government liaison groups</li> <li>Meetings with regulators</li> </ul>  | <ul style="list-style-type: none"> <li>On-site inspections</li> <li>Representation at committees/ panels of regulatory authorities</li> <li>Response to surveys and consultations conducted by regulatory authorities</li> </ul>   |
| <b>Shareholders and Investors</b>   | <ul style="list-style-type: none"> <li>Annual general meetings and other general meetings</li> <li>Announcements and circulars</li> <li>Corporate communications</li> <li>Interim and annual reports</li> <li>Investor relations meetings</li> <li>Meetings and roadshows</li> </ul> | <ul style="list-style-type: none"> <li>Meetings with senior management</li> <li>Panel discussions</li> <li>Shareholder on-site visits</li> <li>Shareholder Q&amp;A mail boxes</li> <li>Shareholder surveys</li> </ul>  |
| <b>Suppliers</b>                    | <ul style="list-style-type: none"> <li>Annual supplier performance reviews</li> <li>Signatory to the Charter on Preferential Appointment of OSH Star Enterprise by the Occupational Safety &amp; Health Council</li> <li>Site visits</li> <li>Supplier Code of Conduct</li> </ul>    | <ul style="list-style-type: none"> <li>Supplier CSR performance reviews</li> <li>Supplier due diligence and audit processes</li> <li>Supplier environmental assessments</li> <li>Supplier meetings and conferences</li> <li>Supplier risk assessments</li> </ul>   |

### 4.2.3. The Materiality Assessment Process

































































As a multinational conglomerate operating a variety of businesses across different countries and cultures, the Group recognises the differences in social, economic and environmental needs in each industry and market, where certain sustainability topics are more relevant to specific business activities and geographies.

To this end, the Group conducted a materiality assessment to define the material sustainability issues facing its core businesses that are perceived to be most significant to the Group and its stakeholders.

#### Materiality Assessment Process



The following table summarises the material sustainability issues for each core business:

|  |                                   |   |   |   |   |   |
|--|-----------------------------------|---|---|---|---|---|
|  <b>Business</b>    | Anti-Corruption                   |  |  |  |  |  |
|  | Product Responsibility            |  |  |  |  |  |
|  | Data Privacy                      |  |  |  |  |  |
|  | Supply Chain Management           |  |  |  |  |  |
|  <b>People</b>      | Labour Management                 |  |  |  |  |  |
|  | Occupational Health and Safety    |  |  |  |  |  |
|  <b>Community</b>   | Community Engagement              |  |  |  |  |  |
|  <b>Environment</b> | Greenhouse Gas (GHG) Emissions    |  |  |  |  |  |
|  | Waste Management                  |  |  |  |  |  |
|  | Opportunities in Clean Technology |  |  |  |  |  |
|  | Land Use and Reclamation          |  |  |  |  |  |
|  | Environmental Management          |  |  |  |  |  |



Ports and Related Services



Retail



Infrastructure



Energy



Telecommunications

The Group adopts the materiality assessment process to determine its focus areas for managing and monitoring sustainability performance at the respective core businesses. The results facilitate the Group to steer its sustainability strategy, prioritise its sustainability activities, and establish meaningful metrics for effective performance evaluation. Through working closely with each core business, the Group sets specific targets and roadmaps to achieve its sustainability mission, taking into account local situations and requirements.

The results set the focus of this Sustainability Report, as elaborated by each core business in the sections below including disclosures on their material sustainability issues, key initiatives and performance in the year. For more information, please refer to their respective corporate websites and sustainability reports.

### 4.3. Corporate Governance

The Group strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

Accordingly, the Group has adopted and applied corporate governance principles and practices that emphasise a quality Board, effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

#### 4.3.1. The Board

The Board is responsible for directing and guiding the strategic objectives of the Company and overseeing and monitoring managerial performance.

##### 4.3.1.1. Role of the Board

Directors are charged with the task of promoting the long-term success of the Company and making decisions in the best interests of the Company with due regard to sustainability considerations.

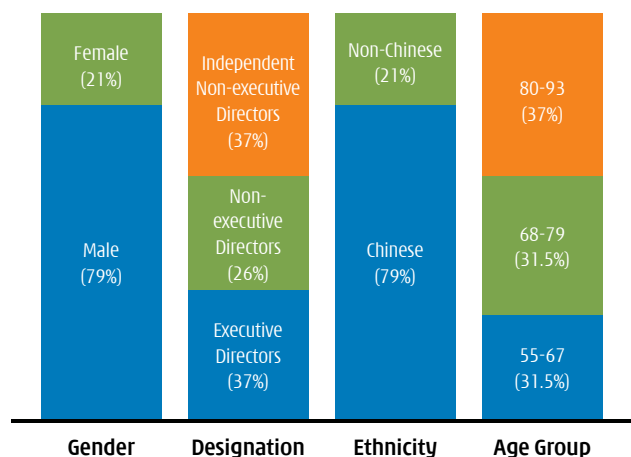
The Board, led by the Chairman, Mr Victor T K Li, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Group Co-Managing Directors.

The Board is supported by four permanent board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee.

#### 4.3.1.2. Board Composition

As at 31 December 2019 and up to the date of this Report, the Board comprised 19 Directors, including the Chairman and Group Co-Managing Director, Group Co-Managing Director, Group Finance Director and Deputy Managing Director, three Deputy Managing Directors, one Executive Director, five Non-executive Directors and seven Independent Non-executive Directors. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The following chart shows the diversity profile of the Board as at 31 December 2019:



Biographical details of the Directors are set out in the Information on Directors on pages 76 to 81 of the 2019 Annual Report and on the website of the Company. A list setting out the names of the Directors and their roles and functions is also posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx") ([www.hkexnews.hk](http://www.hkexnews.hk)).

#### 4.3.1.3. Chairman and Group Co-Managing Directors

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group.

The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to promote

effective communication and ongoing engagement with shareholders and other stakeholders.

The Group Co-Managing Directors, assisted by the other Executive Directors, are responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal managers of the Group's businesses, the Group Co-Managing Directors attend to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and are directly responsible for overseeing and delivering operational performance of the Group.

The position of Chief Executive of the Company has been jointly held by Mr Victor T K Li and Mr Fok Kin Ning, Canning as Group Co-Managing Directors since June 2015. Following the appointment of Mr Li as Chairman of the Company in May 2018, he continued to hold the position of Group Co-Managing Director. Accordingly, with Mr Fok acting as Group Co-Managing Director, the day-to-day management of the Company is led and shared between Mr Li and Mr Fok with no single individual having unfettered management decision-making power.

Further, the Board which comprises experienced and seasoned professionals continues to monitor the Management to ensure that joint management is effectively and properly exercised. Hence, the current arrangements provide checks and balances and do not jeopardise the independent exercise of powers of the Chairman and the Group Co-Managing Directors.

#### **4.3.1.4. Board Effectiveness**

All newly appointed Directors receive extensive briefing materials including information on the Group, duties as a director and board committee member, as well as internal governance policies of the Group.

To ensure an appropriate balance of knowledge and experience that allows the Board to fulfil its duty, the Company arranges and provides Continuous Professional Development ("CPD") training such as seminars, webcasts and relevant reading materials to Directors to help them keep abreast of current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses

and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

All Directors are required to provide the Company with details of CPD training undertaken by them from time to time. The training records are maintained by the Company Secretary. For 2019, each director received an average of approximately eight hours of training.

#### **4.3.1.5. Board Independence**

The Board, with the assistance of the Nomination Committee (and its sub-committee), evaluates the independence of Independent Non-executive Directors, whose independence are assessed having regard to the criteria under the Listing Rules. All the Independent Non-executive Directors of the Company have not been involved in the daily management of the Company nor in any relationship or circumstances which would materially interfere with their exercise of independent judgment.

In identifying suitable candidates for Independent Non-executive Directors, apart from independence which is one of the key factors, the Nomination Committee (and its sub-committee) also take into account the Board's composition as well as the various diversity aspects as set out in the Board Diversity Policy. The Nomination Committee also reviews on a timely basis any changes in the Directors' professional engagements as well as other directorships or commitments to ensure compliance with the independence criteria and their commitment and devotion to the Board.

Given the nature as a multinational conglomerate holding company, some Directors also hold board positions in material operating subsidiaries and associated companies to oversee and monitor these companies in order to ensure the Group's interests are protected. All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group for the year, which is evidenced by the Directors' high attendance at Board and committee meetings (see Section 4.3.1.6. *Board Process*). In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public listed companies and major appointments, and also update the Company on any subsequent changes.

#### 4.3.1.6. Board Process

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, the senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance and business activities of the Group. Whenever warranted, additional physical Board meetings are held. Further, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary and they are at liberty to propose appropriate matters for inclusion in Board agendas.

In 2019, the Company held four Board meetings with overall attendance of approximately 99%. All Directors attended the Annual General Meeting of the Company held on 16 May 2019 and the Board meeting held on the same day, except for one Independent Non-executive Director who was not able to attend due to personal reasons.

| Directors   | Board Meetings Attended/<br>Eligible to Attend | Attendance at 2019 AGM |
|---|--|------------------------|
| <b>Chairman</b>   |  |                        |
| Victor T K Li <sup>(1)</sup> (Group Co-Managing Director)             | 4/4  | ✓                      |
| <b>Executive Directors</b>  |  |                        |
| For Kin Ning, Canning (Group Co-Managing Director)                    | 4/4  | ✓                      |
| Frank John Sixt (Group Finance Director and Deputy Managing Director) | 4/4  | ✓                      |
| Ip Tak Chuen, Edmond (Deputy Managing Director)                       | 4/4  | ✓                      |
| Kam Hing Lam <sup>(1)</sup> (Deputy Managing Director)                | 4/4  | ✓                      |
| Lai Kai Ming, Dominic (Deputy Managing Director)                      | 4/4  | ✓                      |
| Edith Shih  | 4/4  | ✓                      |
| <b>Non-executive Directors</b>  |  |                        |
| Chow Kun Chee, Roland <sup>(2)</sup>                                  | 4/4  | ✓                      |
| Chow Woo Mo Fong, Susan   | 4/4  | ✓                      |
| Lee Yeh Kwong, Charles  | 4/4  | ✓                      |
| Leung Siu Hon <sup>(2)</sup>  | 4/4  | ✓                      |
| George Colin Magnus   | 4/4  | ✓                      |
| <b>Independent Non-executive Directors</b>                            |  |                        |
| Kwok Tun-li, Stanley  | 4/4  | ✓                      |
| Cheng Hoi Chuen, Vincent  | 4/4  | ✓                      |
| Michael David Kadoorie  | 4/4  | ✓                      |
| Lee Wai Mun, Rose   | 4/4  | ✓                      |
| William Shurniak  | 3/4  | -                      |
| Wong Chung Hin <sup>(3)</sup>   | 4/4  | ✓                      |
| Wong Yick-ming, Rosanna   | 4/4  | ✓                      |

Notes:

(1) Mr Victor T K Li is a nephew of Mr Kam Hing Lam.

(2) Mr Chow Kun Chee, Roland is a cousin of Mr Leung Siu Hon.

(3) Retired as Independent Non-executive Director on 14 May 2020.

In addition to Board meetings, in 2019 the Chairman held regular meetings with Executive Directors every month and also met with Independent Non-executive Directors twice without the presence of other Directors. The Independent Non-executive Directors are encouraged to provide their independent views to the Board.

#### 4.3.1.7. Board Committees

The Board has established four permanent Committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee. Each committee is delegated with the authority to deal with specific matters with a view to operating effectively, and giving appropriate attention and consideration to these matters. The Chairman of each Committee reports to the Board regularly, including their decisions and recommendations.

The following table summarises the composition of board committees:

| Name   | Position  | Designation               | Audit Committee | Remuneration Committee | Nomination Committee | Sustainability Committee |
|--|---|---------------------------|-----------------|------------------------|----------------------|--------------------------|
| Victor T K Li  | Chairman and Group Co-Managing Director             | Executive                 |                 | Member                 | Chairman             |                          |
| Fok Kin Ning, Canning  | Group Co-Managing Director                          | Executive                 |                 |                        | Member               |                          |
| Frank John Sixt  | Group Finance Director and Deputy Managing Director | Executive                 |                 |                        | Member               | Chairman                 |
| Ip Tak Chuen, Edmond   | Deputy Managing Director                            | Executive                 |                 |                        | Member               |                          |
| Kam Hing Lam   | Deputy Managing Director                            | Executive                 |                 |                        | Member               |                          |
| Lai Kai Ming, Dominic  | Deputy Managing Director                            | Executive                 |                 |                        | Member               |                          |
| Edith Shih   | Director and Company Secretary                      | Executive                 |                 |                        | Member               | Member                   |
| Chow Kun Chee, Roland  | Director  | Non-executive             |                 |                        | Member               |                          |
| Chow Woo Mo Fong, Susan  | Director  | Non-executive             |                 |                        | Member               |                          |
| Lee Yeh Kwong, Charles   | Director  | Non-executive             |                 |                        | Member               |                          |
| Leung Siu Hon  | Director  | Non-executive             |                 |                        | Member               |                          |
| George Colin Magnus  | Director  | Non-executive             |                 |                        | Member               |                          |
| Kwok Tun-li, Stanley   | Director  | Independent Non-executive | Member          |                        | Member               |                          |
| Cheng Hoi Chuen, Vincent   | Director  | Independent Non-executive | Chairman        | Member                 | Member               |                          |
| Michael David Kadoorie   | Director  | Independent Non-executive |                 |                        | Member               |                          |
| Lee Wai Mun, Rose  | Director  | Independent Non-executive |                 |                        | Member               |                          |
| William Shurniak   | Director  | Independent Non-executive | Member          |                        | Member               |                          |
| Wong Kwai Lam  | Director  | Independent Non-executive | Member          | Member                 | Member               |                          |
| Wong Yick-ming, Rosanna  | Director  | Independent Non-executive |                 | Chairman               | Member               | Member                   |
| William Elkin Mocatta (Alternate Director to Michael David Kadoorie) | Director  | Alternate                 |                 |                        |                      |                          |

#### 4.3.1.8. Audit Committee

The role of the Audit Committee is to assist the Board in maintaining the integrity of the Company's financial reporting, the effectiveness of internal control and risk management systems. It regularly reviews the scope, extent and effectiveness of the activities of the Group's internal audit function, as well as develop and review the Company's policies and practices on corporate governance including compliance with statutory and Listing Rules requirements.

The Committee comprises four Independent Non-executive Directors who possess the relevant financial and business management experience and skills to understand financial statements and monitor the financial governance, internal controls and risk management of the Company.

For more information, please refer to the [Terms of Reference of the Audit Committee](#) and [2019 Corporate Governance Report](#).

#### 4.3.1.9. Remuneration Committee

The responsibilities of the Remuneration Committee are to assist the Board in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

The Remuneration Committee comprises four members with expertise in human resources and personnel emoluments. The composition of the Remuneration Committee meets the requirements of chairmanship and independence under the Listing Rules.

For more information, please refer to the [Terms of Reference of the Remuneration Committee](#) and [2019 Corporate Governance Report](#).

#### 4.3.1.10. Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size, diversity profile and skills set of the Board and the progress in achieving the diversity objectives of the Company.

The Nomination Committee is chaired by the Chairman of the Board with all Directors as members. An ad hoc sub-committee, chaired by the Chairman comprising

members in compliance with the code provision requirements under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the selection and nomination process. The Board is of the view that the ultimate responsibilities of the Nomination Committee rest with the Board as a whole and it is in the best interests of the Company that the Board collectively reviews and determines the structure, size and composition of the Board as well as the succession plan for Directors, as and when appropriate.

The nomination process is conducted in accordance with the Director Nomination Policy and Board Diversity Policy, which are available on the website of the Company.

For more information, please refer to the [Terms of Reference of the Nomination Committee](#) and [2019 Corporate Governance Report](#).

#### 4.3.1.11. Sustainability Committee

The Sustainability Committee, which has three members and is chaired by Mr Frank Sixt, Group Finance Director and Deputy Managing Director, was set up by the Board to oversee management and advise the Board on the development and implementation of the sustainability initiatives of the Group, including reviewing the related policies and practices, and assessing and making recommendations on matters concerning the Group's sustainability governance, strategy, planning and risks.

For more information, please refer to Section *4.1 Sustainability Governance* and the [Terms of Reference of the Sustainability Committee](#).

#### 4.3.2. Risk Management

The Group adopts an Enterprise Risk Management framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Group, be they of strategic, financial, operational or compliance nature.

Risk management is integrated into all business and decision-making processes, where striking a sensible balance between risk and opportunity is critical to the longer term growth and sustainability of the Group's business. It is also a continuous process carried out at all levels of the Group. There are ongoing dialogues between the Executive Directors and the executive management teams of each core business about the current and



emerging risks such as megatrends on climate change, resource scarcity and technological breakthrough, their plausible impacts and mitigation measures. These measures include instituting additional controls and deploying appropriate insurance instruments to minimise or transfer the impact of risks to the Group's businesses. The latter also includes the Directors and Officers Liability Insurance to protect the Directors and Officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business as well as discussions and reviews by the Executive Directors and the Board, through the Audit Committee. More specifically, on a half-yearly basis, each core business is required to formally identify and assess the significant risks their business faces, whilst the Executive Directors provide input after taking a holistic assessment of all the significant risks that the Group faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite risk register together with the risk heat map, as confirmed by the Executive Directors, form part of the risk management report for review and approval by the Audit Committee on a half-yearly basis. The Audit Committee, on behalf of the Board, reviews the report and provides input as appropriate so as to ensure effective risk management in place. Pages 69 to 75 of the Company's 2019 Annual Report provide a description of the Group's risk factors which could affect the Group's financial condition or results of operations to differ materially from expected or historical results.

#### **4.3.3. Internal Control Environment**

The Group's internal control system is embedded in its day-to-day business activities and transactions. The Group has a well-established organisational structure with defined levels of authority and responsibility, as well as reporting procedures.

The Executive Directors are appointed to the boards of all material operating subsidiaries and associated companies for overseeing and monitoring those companies. The executive management team of each core business is accountable for the conduct and performance of each business unit within the agreed strategies.

There is a comprehensive system for reporting information to the executive management teams and the Executive Directors. Business plans and budgets are prepared annually for review and approval by the executive management teams and the Executive Directors. Reforecasts for the

current year are prepared on a quarterly basis and reviewed for variances to the budget. The Executive Directors also review financial reports and key operating statistics, and hold monthly meetings with the executive management team to review the reports.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are monitored within each business according to its defined authorisation levels and procedures. Capital expenditures are also subject to overall budget control, in particular, material and unbudgeted expenditures require approval from the Group Finance Director and Deputy Managing Director prior to commitment.

The Group's Treasury function oversees the Group's investment and lending activities, evaluates and monitors financial and operational risks, and makes recommendations to management to mitigate those risks. The Group also has established treasury policies covering specific aspects such as bank account controls, loan covenants monitoring and compliance, and derivatives and hedging transactions approval and reporting.

In terms of formal review of the Group's internal control system, an internal control self-assessment process is in place that requires the executive management team and the senior management of each core business to review and evaluate the controls over the operations, devise action plan to address the issues if any, and declare the effectiveness of the overall controls. These self-assessment results are reviewed by the Executive Directors, then submitted together with the risk management report as mentioned earlier and the independent assessments by the auditors to the Audit Committee who formulates its opinion on the effectiveness of the Group's risk management and internal control systems.

#### **4.3.4. Ethics and Integrity**

The Group values and upholds the highest standards of business integrity, honesty and transparency in its overall business activities. The Board sets a tone of zero-tolerance towards fraud and corruption. The Board, through the Audit Committee, holds the overall responsibility for business ethics as an essential part of its corporate governance responsibilities.

On behalf of the Board, the Audit Committee oversees the compliance efforts and also regularly reviews the effectiveness of the Group's risk management and internal control systems on an ongoing basis.

The Group has a strong internal control framework to guide its businesses in maintaining the highest standards of ethics and business conducts. The framework has five core elements:



#### 4.3.4.1. Governance Policies

The Code of Conduct (the "Code") sets out the professional and ethical standards for its Directors and employees to observe in all business dealings, including provisions dealing with conflict of interest, fair dealing and integrity, corruption, political contribution, confidentiality, personal data protection and privacy, as well as reporting of illegal and unethical behaviour.

The Code applies to all subsidiaries and controlled affiliates of the Company, where every Director and employee requires strict adherence to the Code including all applicable laws, rules and regulations within the jurisdictions in which the Group operates. For those non-controlled affiliates, employees serving as directors should, to the extent possible, encourage such affiliates to adopt and follow the Code.

Likewise, business partners and suppliers who are working for the Group are encouraged to maintain the highest standards of ethical conduct and professionalism in accordance with the Supplier Code of Conduct. In particular, they are required to implement appropriate anti-fraud and corruption policies as well as compliance programmes to verify if the policies are being properly complied with. Suitable anti-fraud and corruption clauses are incorporated in the contracts with those business partners and suppliers to ensure that they are fully aware of the Group's requirements.

In particular, the Anti-Fraud and Anti-Bribery Policy

outlines the Group's zero-tolerance stance against bribery and corruption and assists employees in recognising the circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct. It includes provisions dealing with kickbacks, political and charitable contributions, facilitation payments, gifts and hospitality, and procurement of goods and services.

For political donation, it is the Group's general policy not to make any form of donation to political associations or individual politicians.

For more information, please refer to the [Anti-Fraud and Anti-Bribery Policy](#) and [Media, Public Engagement and Donation Policy](#)

For other relevant governance policies on ethics and integrity, please refer to Section 4.2.1. *CSR Pillars and Policies* and [the Company's 2019 Corporate Governance Report](#).

#### 4.3.4.2. Communication and Training



All employees are well informed of the Code as well as other related policies. Relevant trainings are provided to all new joiners as part of their induction programmes. For specific topics such as anti-fraud and corruption, tailor-made trainings are assigned to employees based on their role and area of responsibility (e.g. employees of a senior grade, employees whose positions have frequent dealings with suppliers) at least once every two years. In addition, periodic fraud alerts are circulated within the Group to draw management attention to new or common fraud schemes. Fraud sharing sessions are also held among core businesses and business units to increase staff awareness, for example, **3 Group Europe**, comprising representatives from each telecom business unit, organises fraud intelligence sharing forums each year, with three forums held in 2019. Employees are also required to make self-declaration on their compliances with the Code and related policies on an annual basis.

#### 4.3.4.3. Due Diligence

The Group's commitment to anti-fraud and corruption is also reflected in its management of business partners, suppliers, and third party representatives such as advisers, agents, consultants, introducers and finders, and political lobbyists.

The Group conducts appropriate level of due diligence on the selection and renewal of new and existing business partners or suppliers based on an assessment

of risk factors including transaction size, product or service nature, financial and compliance status, qualification, potential conflict of interest, and country risk. Moreover, the Group adopts a comprehensive set of procurement and tendering procedures to ensure that related activities are carried out in a fair and transparent manner. The appointment of third party representatives requires prior approval from an Executive Director, and material capital expenditure projects (in excess of pre-defined thresholds) require Head Office review and approval prior to any binding commitment. Proper measures are taken should those business partners, suppliers and third party representatives be found to be in breach of laws and regulations. The internal audit function would perform independent review of the related areas.

For more information, please refer to the  Anti-Fraud and Anti-Bribery Policy and  Policy on Appointment of Third Party Representatives.

#### 4.3.4.4. Ongoing Assessment

Business practices and controls for preventing and combating corruption and other misconducts are continuously assessed by business units, especially when there are major changes in terms of organisation, operational scale or nature, regulatory requirements, and macro environment. The outcome of the assessment not only drives the necessary improvement and additional mitigating controls, but also reinforces the importance of operating in a fair, ethical and legal manner. Such self-assessment results, as part of the Group's half-yearly internal control self-assessment process, are reviewed independently by the internal audit function, and reported to the Executive Directors and the Audit Committee half-yearly.

For more information, please refer to Section 4.3.3. *Internal Control Environment*.

#### 4.3.4.5. Monitoring and Review




The Group has implemented sound financial controls (including adequate segregation of duties, authorisation controls, records logging, supporting documentation, and audit trail) to prevent and detect irregularities or misconducts. Such control system is subject to regular review and audit. In particular, the internal audit function, who is responsible for assessing the effectiveness of the Group's internal control system, performs audits in accordance with its risk-based audit plan, where the scope of review includes, amongst others, the Group's compliance with its governance policies and applicable laws and regulations.

The Group encourages employees and those who deal with the Group (such as customers, suppliers, creditors and debtors) to raise concerns about any suspected or real impropriety, misconduct or malpractice through confidential reporting channels. All reported incidents are treated confidentially, and the individuals raising the concerns are assured of protection against unfair dismissal, victimisation or unwarranted disciplinary action. The Group also prohibits retaliation of any kind against those who raise a business conduct concern. The whistleblowing channels that the Group has established allow anonymous reporting of improprieties.

In addition to the whistleblowing channels as published on the corporate websites, each core business derives its own set of internal escalation procedures to cater for its operational needs, and under all circumstances, is required to report the incident to the Group Finance Director and Deputy Managing Director and the head of the internal audit function within one working day should the amount involved exceeds the de minimis threshold (as agreed between the Group Finance Director and Deputy Managing Director and the executive management team of each core business).

Incidents or suspected incidents of fraud and corruption are immediately investigated. The internal audit function has the responsibility to review every reported incident, seek relevant stakeholders for direction or comment, determine which incident requires a more in-depth investigation, and escalate promptly to the Executive Directors and the Audit Committee if the incident is of a significant nature, in accordance with the established fraud incident escalation and reporting procedures. A summary of the reported incidents and relevant statistics (including results of independent investigations and actions taken) is presented to the Audit Committee and the Executive Directors on a quarterly basis.

For concerns that are substantiated, disciplinary actions including verbal or written warning and termination of employment are taken after due management consideration. Violation of the laws and regulations are reported to the police or other law enforcement organisations for civil and criminal proceedings.

For more information, please refer to the  Code of Conduct,  Anti-Fraud and Anti-Bribery Policy and  Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters.

## Reporting and Investigation Procedures



- Report can be made in person or in writing via the established reporting channels (at the Head Office and core business/business unit).
- Reporter details are not required but are encouraged to facilitate the investigation, and such details are kept in the strictest confidence.



- The head of internal audit assesses the impact (in terms of materiality, reputational and legal implication) of the reported incidents and reports to the Audit Committee Chairman promptly, as deemed appropriate.
- The head of internal audit carries out the investigation, either by his team or with support from the business unit management.
- All Reports are centrally maintained for progress tracking.



- Necessary actions include reporting to regulatory bodies, taking disciplinary actions against the staff concerned, and strengthening controls.
- Quarterly incident statistics and progress of the noteworthy incidents are reported to the Executive Directors and the Audit Committee.

The head of internal audit, or the Audit Committee Chairman where warranted, will maintain dialogues with the Reporter, if contactable and deemed necessary.



Read more about  
CK Hutchison Corporate  
Governance Policies

# PORTS AND RELATED SERVICES



Environmental and sustainability issues in the supply chain are growing for many around the world. As an integral part of global commerce, the ports industry is finding ways to operate and manage ports more efficiently and effectively in terms of economic, social, as well as environmental development. As the world's leading port network, Hutchison Ports is well-positioned to raise the bar in its operations and remain the preferred partner in the global supply chain.

## Key Sustainability Achievements in 2019

- Formed Group Environmental Committee ("GEC") chaired by senior executives with members from senior management staff.
- Shore Power mobile units installed at Hutchison Ports Yantian covering 16 berths to facilitate shore power supply to vessels.
- Hutchison Ports Yantian honoured Best Green Container Terminal by AFLAS Award.
- Hutchison Ports launched an e-Learning platform for people development.
- Hutchison Ports Thailand, Hutchison Ports UK, Hutchison Ports Sohar and Hutchison Ports Pakistan rolled out remote-control cranes and autonomous tractors which help to improve workplace occupational health and safety.

## Key Sustainability Initiatives in 2020

- Roll out digital ESG reporting system across divisions to improve data efficiency and accuracy.
- Form a sustainability strategy across the businesses with a five-year carbon reduction plan.
- Hutchison Ports Thailand to use its first batch of six electric autonomous trucks, reducing Greenhouse Gas ("GHG") emissions.
- Expand the usage of remote-control rubber-tyre gantry cranes ("RTGC") at ports in Oman, Pakistan and the UK using electric or lithium ion battery hybrid power to cut down on GHG emissions.
- Launch a three-year safety training programme to align the safety management system and practices across the businesses.



Read more on  
Hutchison Ports'  
corporate website



**52**  
PORTS IN  
27 COUNTRIES



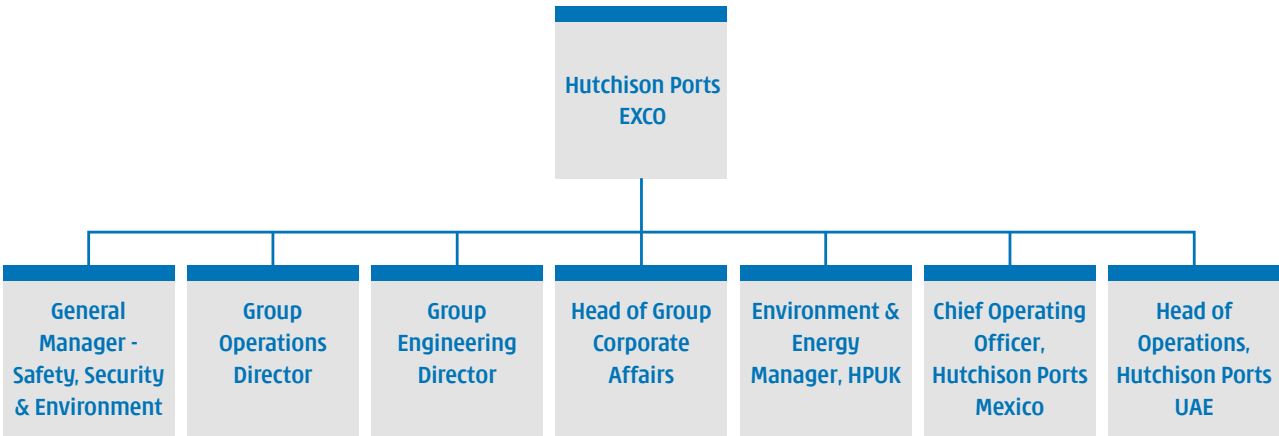
**20,058**  
EMPLOYEES  
(in subsidiaries)

5.1. Sustainability Governance

The Ports division formed an ESG Committee in 2017 to ensure strategic alignment on major decisions and action plans regarding sustainability matters at the senior level.

This year the environmental governance structure was further enhanced and a Group Environmental Committee (“GEC”) was established to better coordinate the Ports division’s environmental management efforts across 52 ports in 27 countries.

Group Environmental Committee Organization Chart



Hutchison Ports’ GEC is co-chaired by two executive committee members, who are also managing directors of different global regions. It is supported by members from a variety of functions and regions and together lead the short- and long-term strategies for the worldwide ports business. GEC’s role is multi-faceted:

- initiation and standardisation of environmental objectives and policies;
- management and action on sustainability;
- reviewing environmental performance; and
- knowledge sharing to ensure effective implementation of best practice.

5.2. Anti-Corruption

5.2.1. Commitment

The board and executive management of the Ports division has zero-tolerance to bribery and corruption. Stringent policies, guidelines and procedures are established to uphold high standards of business ethics and integrity. All employees must adhere to the ethical standards and legal requirements set out in the Anti-Fraud and Anti-Bribery (“AFAB”) policy, the Code of Conduct, and other relevant policies and guidelines. In addition, all business partners, suppliers and third party representatives are encouraged to adopt the standards.

5.2.2. The Challenges

With globalisation, there has been substantial growth in global trade. However, this also increases the risks and threats of bribery and corruption. In managing the ports business in 27 countries, employees are often directly exposed to the risk of receiving advantages from importers and exporters of merchandise. Also, shipments often involve multiple jurisdictions and thus increase the risks of illegal activities.

5.2.3. Initiatives

5.2.3.1. Distribution of AFAB Policy and Compliance Monitoring

To further strengthen efforts in tackling bribery and corruption risks, the Ports division is aiming to require all employees to self-declare their compliance with the Code of Conduct and related policies, maintain effective communications and a high level of self-awareness among employees through enhancing their understanding of the internal policies.

The AFAB and other relevant policies are distributed to all ports across the globe while the Code of Conduct and the Staff Handbook are available on the intranet and in hard copies.

Moreover, to enhance communications, some local language versions of the Code of Conduct have been created for front-line employees. Starting in 2019, all employees at Hutchison Ports HIT and Yantian are required to self-declare their compliance. Hutchison Ports Yantian



had translated the self-declaration form with a Chinese version to ensure employees are able to declare accurately.

#### 5.2.3.2. Code of Conduct and AFAB Training

Regular training on the topic of bribery and corruption is provided to employees globally to ensure full compliance and understanding of the policies.

All employees are required to go through Code of Conduct and AFAB training, as part of new-joiner orientations, and also on an ongoing basis. To ensure key personnel are familiar with the relevant laws and regulatory requirements, all managers and supervisors from the Human Resources, Commercial, and Procurement departments, along with other selected individuals, are required to attend classroom training every two years. Ports also provide an e-Learning platform for employees to have better access to the AFAB policy and ensure the policy is well-communicated at all levels.

In view of higher bribery risk exposure in some local environments, business units extend the training to suppliers, such as the Mexican ports. In Hutchison Ports Tanzania, a CEO/CFO meeting will be held with major suppliers to communicate AFAB requirements and increase their awareness.



Note:

It is calculated based on the latest available full-year figures, divided by the total number of employees as at 31 December 2019.

#### 5.2.3.3. Confidential Whistleblowing Mechanism

The Ports division has long-established whistleblowing mechanisms and policy for employees and stakeholders to confidentially and anonymously report any suspected acts of misconduct and malpractice, without fear of retributions.

Whistleblowing policy and related incident reporting procedures are in place to ensure the cases are investigated thoroughly and independently. For instance, in Hutchison Ports UK, a "Speak Up Line" is set up and advertised in "Employee App" to provide channel to employees for reporting any suspected AFAB incidents confidentially. All incidents are recorded on a register, and the status and statistics are reported to Group management regularly.

Nine cases involving suspected acts of misconduct and malpractice or cases of whistleblower were reported in 2019, such as misappropriation of container goods and suspected scam email. All cases had been reported to the management, which had timely initiated independent or joint investigation with local regulatory parties (such as Customs and police), with proper follow up on the investigation results and remedial actions taken.

### 5.3. Labour Management

#### 5.3.1. Commitment

The success of the ports business is the direct result of the hard work and dedication of the workforce. This requires attracting and retaining the right talent with the competences to meet the business needs today and in the years to come.

In managing labour relations, the Ports division is committed to:

- Sustaining a rewarding and supportive working environment for employees.
- Abiding by non-discriminatory and equal-opportunity employment practices.
- Providing ongoing engagement with employees.
- Supporting employees' personal development, professional growth and well-being.

#### 5.3.2. The Challenges

In the past, ports were generally seen as a labour-intensive industry. Technological transformation with digitalisation and automation of port processes, along with the introduction of artificial intelligence applications, demand a shift in mindset and skillset for the existing workforce.

Roles and the skillset requirements are reviewed to help employees adapt to a technologically advanced operating model.



### 5.3.3. Initiatives

#### 5.3.3.1. Ongoing Professional Development

It is believed that a performance-driven culture building on continuous learning can drive growth for the business and professional development for employees.

On the Ports division level, the Regional Development Programme ("RDP") is specially designed to support and realise individual's business and professional potential. Through an array of learning methodologies and a progressive four-module (in 18 months) approach, it aims to accelerate leadership development and business acumen of selected talents. In 2019, two cohorts of RDPs (Europe, the Middle East & Africa and Asia) were run.

The RDP's objectives are (1) to build a robust talent and succession pipeline to increase leadership bench strength and groom the next generation of leaders; (2) to deliver a significant enhancement of both the individual leadership capabilities of participants and their ability to collaborate with people across the organisation; (3) to shape the individual development plan of each participant to reflect the acquisition of new skills and the recognition of new developmental requirements; and (4) to support the attraction and retention of talents for our business.

#### 5.3.3.2. Building the Workforce of the Future

The younger generations are the future of the business and the industry, therefore building and strengthening their growth are vital.

Various trainee programmes are organised to nurture young people in professional areas including operations management, engineering and information services, and provide them with career development opportunities.

Hutchison Ports UAE developed the "MEA Leadership Programme" in 2019. This programme targets potential successors and high potential employees to enhance their behaviour skills for future potential work. It also focused on building personal effectiveness and the topics shared included: Problem Solving and Decision Making, Influencing without Authority and Presenting with Impact. During the three-day programme, participants actively engaged in the interactive discussions and learning activities while treasuring the opportunity to build valuable network with colleagues from other business units.

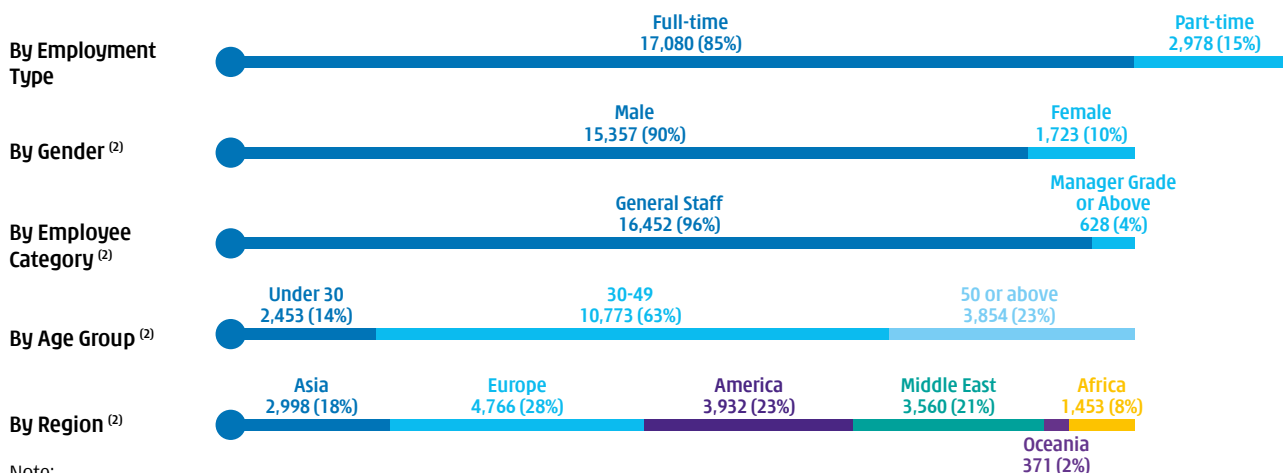
Hutchison Ports HIT has been providing people development programmes, such as "Engineering Superintendent Trainee Programme" for selected employees based on their needs.

Hutchison Ports HIT is offering a range of opportunities to potential employees. In 2019 HIT established "Start Your Journey @ Port Programme", a programme that provides a series of learning opportunities for students who are pursuing tertiary education. It aims to increase students' knowledge and interest towards careers in the logistics industry through seminars, placements, scholarships and terminal visits. HIT also offers structured development programmes to groom young graduates to embark on a career with the company.

At Hutchison Ports, an e-Learning initiative via LinkedIn Learning was launched in July 2019, for selected talents and high potential managers.

Seven-themed Learning Paths were implemented with 99 total courses recommended. A total of 1,258 learners participated with 1,405 hours on total viewed. Hutchison Ports was awarded the "Most Engaged Learning Culture" by LinkedIn due to the high activation rate and repeated learners.

The top course subject that learners reviewed was "Leadership & Management", which accounted for 55% of the total learning hours. Top skills learners are developing includes Teamwork, Communications, Project Management, Change Management, Operation Management, Customer Service, Stakeholder Management and Talent Management.

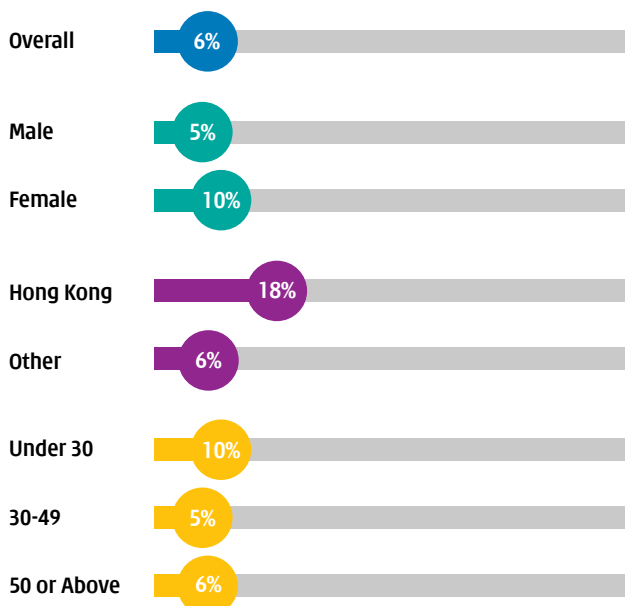
Employee Profile of Ports Division <sup>(1)</sup>

Note:

(1) Figures are as at 31 December 2019.

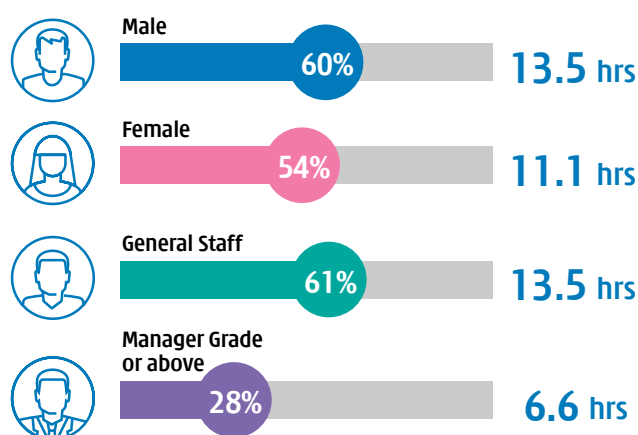
(2) Full-time employees only.

## Employee Turnover of Ports Division



Note:

Turnover rate refers to full-time employees only, which is calculated based on the employee departure during the year, divided by the total number of employees as at 31 December 2019.

Percentage of full-time employees at Ports division who received training <sup>(1)</sup> and average hours of training per employee by gender and by employee category <sup>(1) (2)</sup>

Note:

(1) Covers first nine months of 2019 only. Moving forward, a complete set of figures will be disclosed covering the full year as data sources improve.

(2) The average hour of training is based on the total number of employees in respective categories as at 31 December 2019.

## 5.4. Occupational Health and Safety

### 5.4.1. Commitment

Hutchison Ports strives to provide a healthy and safe environment for employees to support the long-term sustainable growth of the business. With its safety policy in place, Hutchison Ports is committed to:

- Providing a safe working environment.
- Preventing accidents in the workplace.
- Adopting preventive measures to eliminate hazards and safety risks.

A Group Safety Committee ("SAFCOM") is formed in 2011 to oversee safety matters, develop and maintain safety standards and guidelines across the division, monitor the safety performance of business units, and promote the sharing of best practices.

A comprehensive governance framework has been adopted which consists of three levels:

**Regulatory Compliance:** This level covers the compliance of safety standards towards legislation and regulations from national or local authorities.

**Corporate Governance:** Both CK Hutchison and Hutchison Ports have set up safety governance processes. The Group's internal audit function conducts regular safety audits to individual business unit. Hutchison Ports sets Global Minimum Safety Standards ("GMSS") and conducts on-site safety audits regularly.

**Business Unit Execution:** Each business unit has its own set of safety management system in place and executed meeting both the regulatory requirements and the corporate governance requirements.

### 5.4.2. The Challenges

The Ports division deploys heavy machineries and equipment operated by trained operators and supported by frontline workers. The machineries and equipment handle heavy loads and sometimes even dangerous goods or hazardous materials, which expose the operators and workers to a range of health and safety hazards. Preventive measures are in place to avoid unsafe working conditions and workplace accidents, which can cause potential damage to workers' health and wellbeing, and may impact their families and communities. Keeping all employees, external contractor workers and port's users safe is thus of utmost importance.

Hutchison Ports is dedicated to building the safety culture and awareness of its staff and to providing a safe workplace. Through these efforts, the total number of incidents of the

Ports division in 2019 dropped 22% compared to that of the previous year.

### 5.4.3. Initiatives

#### 5.4.3.1. Safety Risk Assessment

Business units conduct safety risk assessments to identify and assess potential hazards, associated risks and potential consequences to mitigate the risk to an acceptable level.

As the Ports division shifts to an automation environment that will provide employees with greater safety, SAFCOM has been playing a major role in supporting the smooth transition to the new operating model.

For example, in the autonomous truck project, SAFCOM assigned a team to conduct safety risk assessment before the launch. The risk assessment was facilitated by safety specialists from various functions and expertise to ensure all hazards and risks have been thoroughly assessed, with mitigation measures reviewed and agreed before implementation.

#### 5.4.3.2. Safety Requirements and Guidance

Hutchison Ports requires all business units to comply with its safety governance framework and its respective national and local safety regulations.

SAFCOM has also published a set of GMSS and guidance requiring all business units to adhere to.

Information sharing among business units is also encouraged. In 2019, SAFCOM started half-yearly safety sharing sessions among the safety heads of all business units. Topics shared include the new safety requirements of GMSS, major findings and lessons learnt from incidents from the ports industry and safety practices of each business unit.

#### 5.4.3.3. Strengthening Safety Competence

SAFCOM has been monitoring and seeking ways to strengthen the safety competence of each business unit's safety personnel.

In 2019, SAFCOM published several standard operating procedures, which cover safety critical activities in terminals for safety personnel to follow. For example, workplace transport safety, electrical work safety and work at height.

Additionally, Hutchison Ports will be organising a three-year safety training programme through an online

platform for all its business units' safety heads and staff involved in safety management to align the safety management processes and practices globally.

At the business unit level, all business units have organised occupational health and safety trainings and activities to meet the latest safety regulatory and GMSS requirements. The trainings and activities covered topics such as personal protection equipment, safety measures, safety technologies and handling emergency situations. Specific examples in the year include:

- Hutchison Ports Alexandria in Egypt performed a firefighting drill to train the front-line workers on handling procedure of fire emergency and the prevention practices.
- Hutchison Ports Thailand organised Safety and Environmental Day for all employees and sub-contractor staff, with a mixture of interactive activities, e.g. safety quiz and on-site first-aid training.
- Hutchison Ports Ajman in UAE conducted a large-scale refresher training to all front-line operational staff and contractor staff on personal safety including the use of personal protective equipment.

#### 5.4.3.4. Regular Safety Audits

SAFCOM has established a safety audit programme in which safety specialists conduct on-site safety audit to monitor the safety performance and safety compliance of business units.

The safety audit team uses assessment templates comprising of international safety standards and GMSS requirements. Safety audit reports, including the findings and the safety improvement actions will be submitted to SAFCOM and the business unit's management for review.

In 2019, SAFCOM conducted seven on-site safety audits. One of the emphasis was on workplace transport safety.

## 5.5. GHG Emissions and Energy Efficiency

### 5.5.1. Commitment

As one of the leading port networks in the world, Hutchison Ports is committed to doing its part to make the global logistics chain more environmentally-friendly.



7

on-site safety audits by SAFCOM conducted

7

audits by the Group's internal audit function with scope including safety

22% ▼

number of work-related incidents compared to previous year


1

(0.006% <sup>(1)</sup>) work-related fatalities <sup>(2)</sup>



7,499

lost days due to work injury <sup>(2)</sup>



Note:

(1) Work-related fatalities rate is calculated based on the number of fatalities as a result of work-related injury, divided by the number of full-time employees as at 31 December 2019.

(2) Latest available full-year figures.

### 5.5.2. The Challenges

The ports industry is seeing more stringent port environmental requirements being implemented in different countries. For example, International Maritime Organization (IMO) 2020 requirements call for marine vessels to burn low sulphur fuel or to install scrubbers. Some terminal operators responded by installing onshore electric power systems. This requires changes to existing port equipment or additional facilities, resulting in major capital investment.

With the advancement of technology, there are also more green options for ports to improve energy efficiency and reduce GHG emissions. While this provides ports with more alternatives to lower their environmental impact, careful considerations on the applicability and flexibility of new technologies are required.

### 5.5.3. Initiatives

#### 5.5.3.1. Environmental Management System

A three-tier Environmental Management Hierarchy Model has been established to put business units into three categories – namely compliers, initiators, and innovators – based on the maturity of their environmental awareness, environmental management practice, and environmental performance in terms of the major key performance indicators ("KPI"). Such classification helps the business units to focus on improving the environmental management practices in the lower tiers.

In terms of the environmental management processes, a number of business units such as Hutchison Ports UK, Hutchison Ports BACTSSA in Argentina and Hutchison Ports BEST in Spain have already adopted internationally recognised management systems such as ISO 14001 Environmental Management System, a solid framework for managing environmental performance.

Global environmental workshops are planned to further enhance and align practices across the business units going forward.

#### 5.5.3.2. Mobile Shore Power Units

With the enactment of IMO 2020 requirements in 2020, more vessels may switch to use shore electric power while at berth. The shore power units save fuel consumption that would otherwise be used to power vessels while at berth in the port, which in turn, reduces air pollution and GHG emissions. For example, Hutchison Ports Yantian has six mobile shore power units already installed that covers the port's 16 berths. With such outstanding environmental performance, Hutchison Ports Yantian was honoured the Best Green Container Terminal at the 2019 Asian Freight, Logistics and Supply Chain Awards.



Fully electric remote-control equipment in Hutchison Ports Thailand.

#### 5.5.3.3. Expansion of Electric or Hybrid Equipment Fleet

A long-term equipment plan, which started in 2007, was established to gradually replace existing old diesel-powered RTGCs with full electric or hybrid RTGCs in the coming future.

Up till now, Hutchison Ports operates globally 653 electric and 319 hybrid RTGCs, out of a total fleet size of 1,506. For example, in Hutchison Ports Thailand's Terminal D, all the RTGC are powered by electricity. This green technology has a lot of advantages over the conventional diesel engines, including zero fuel consumption, low noise pollution and emission-free.

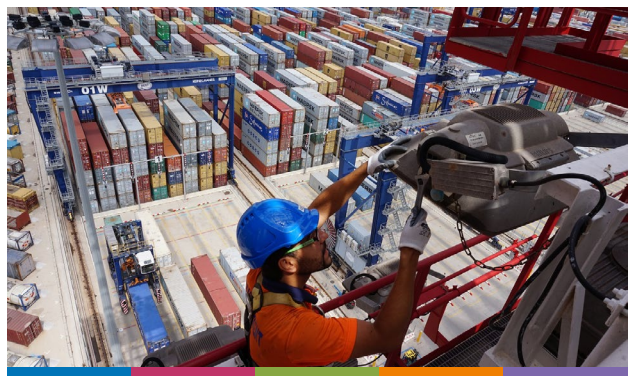
Hutchison Ports is now moving towards the continuous expansion of environmentally-friendly equipment fleet. In 2020, there will be 11 new fully electric RTGCs introduced to Hutchison Ports Pakistan, eight hybrid RTGCs at Hutchison Ports Sohar in Oman and eight fully electric RTGCs at Hutchison Ports UK.

An alternative for electric RTGC is to use hybrid power. There are a total of 319 hybrid RTGCs in Hutchison Ports. Hybrid power typically composes of lithium ion battery bands coupled with a much smaller diesel engine. It significantly reduces the use of diesel fuel and carbon emissions.

#### 5.5.3.4. Continuous Conversion of Yard Lighting Systems

Energy saving has always been one of the key initiatives at Hutchison Ports. One of the effective methods is the application of Light-Emitting Diode ("LED") lighting.

LED upgrading projects have been implemented by a number of ports in different regions. Hutchison Ports BEST in Spain and Hutchison Ports Alexandria in Egypt



LED Replacement Project in Hutchison Ports BEST in Spain.



Solar Panels installed on the roof of warehouse in Hutchison Ports Ajman in UAE.

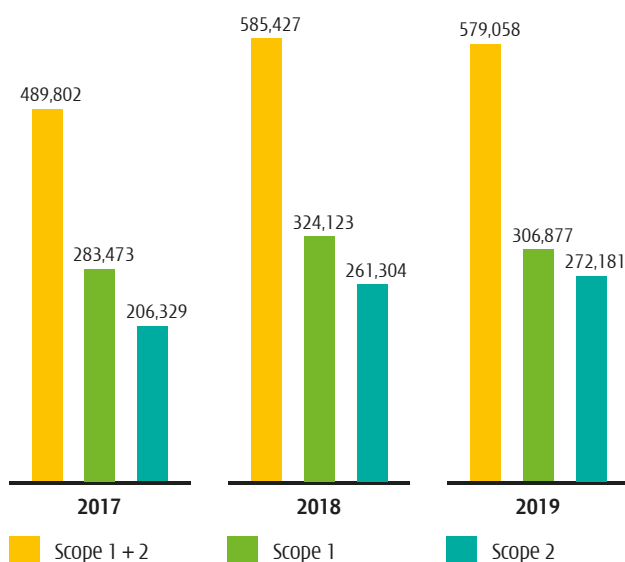
have plans to replace the lighting systems of their yard equipment into LED, while Hutchison Ports UK has a plan to replace the existing fluorescent bulbs to LED on their quay-side equipment.

#### 5.5.3.5. Application of Renewable Energy Sources

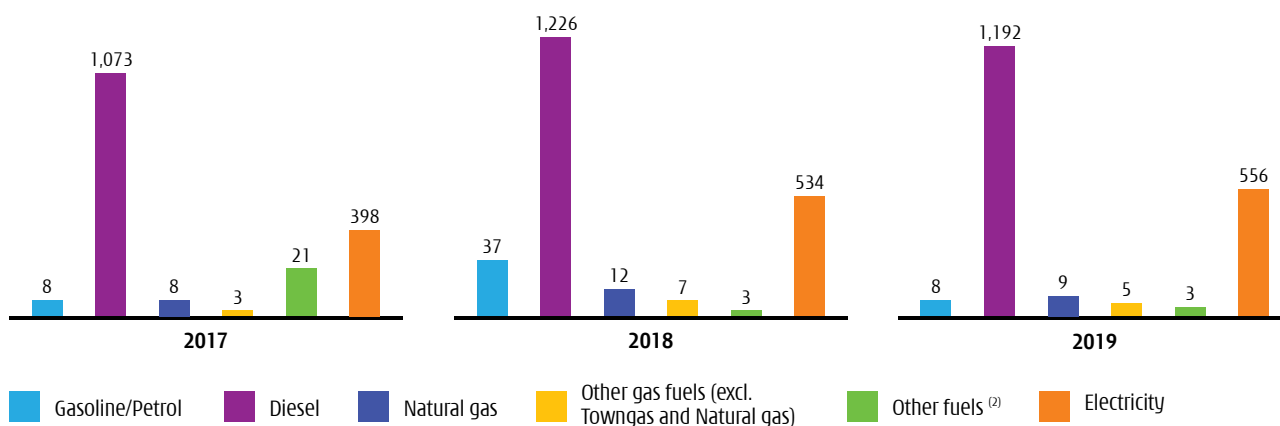
Hutchison Ports has been continuously seeking application of renewable energy in its ports.

Solar panels are installed for lighting and utility purposes in Hutchison Ports LCT in Mexico, Hutchison Ports BEST in Spain, Hutchison Ports Brisbane in Australia and Hutchison Ports Ajman in UAE.

#### GHG Scope 1 and 2 Emissions in Ports Division <sup>(1)</sup> (tCO<sub>2</sub>e)



#### Energy Consumption in Ports division <sup>(1)</sup> (GWh)



Note:

(1) The 2017 GHG emissions and the energy consumption figures have been restated due to a reporting error.

(2) Other fuels include waste oils, energy generated from industrial and municipal wastes, etc.



# RETAIL



As a global retailer established nearly 180 years ago, the Retail division, A.S. Watson Group (“ASW”), has been an integral part of customers’ everyday lives, providing daily necessities from food to health and beauty products.

With strong workplace standards, environmental programmes, customer services and community outreach activities, ASW has implemented many initiatives that enhance staff and customer loyalty, create social goodwill and contribute to sustainable financial success.

## Key Sustainability Achievements in 2019

- CSR team of 300+ members for global & local CSR committees.
- 8% reduction in electricity consumption.
- Completed sales ban of rinse-off personal care/cosmetic products containing microplastics across international stores, which was first initiated as pioneer in 2014.
- First beverage company in Hong Kong to introduce reverse vending for collection of empty plastic bottles.
- In-store collection of empty containers of personal care/ cosmetics products in four markets.

## Key Sustainability Initiatives in 2020

- 100% of H&B Benelux and H&B UK using 100% renewable energy.
- 100% of all dry paper Own-Brand ("OB") products sourced exclusively from traceable sustainable sources.
- By 2030, achieve a 30% reduction in electricity intensity kwh/ m2 against 2015 baseline.
- By 2030, reduce GHG emissions (scopes 1 and 2) by 40% from 2015 baselines.
- Assess 50% of purchases from OB suppliers located in high-risk countries with respect to the environmental sustainability risks under the Business Environmental Protection Initiative ("BEPI") of amfori.



Read more on  
A.S. Watson Group's  
corporate website



**15,794**  
STORES



**136,075**  
EMPLOYEES  
(in subsidiaries)



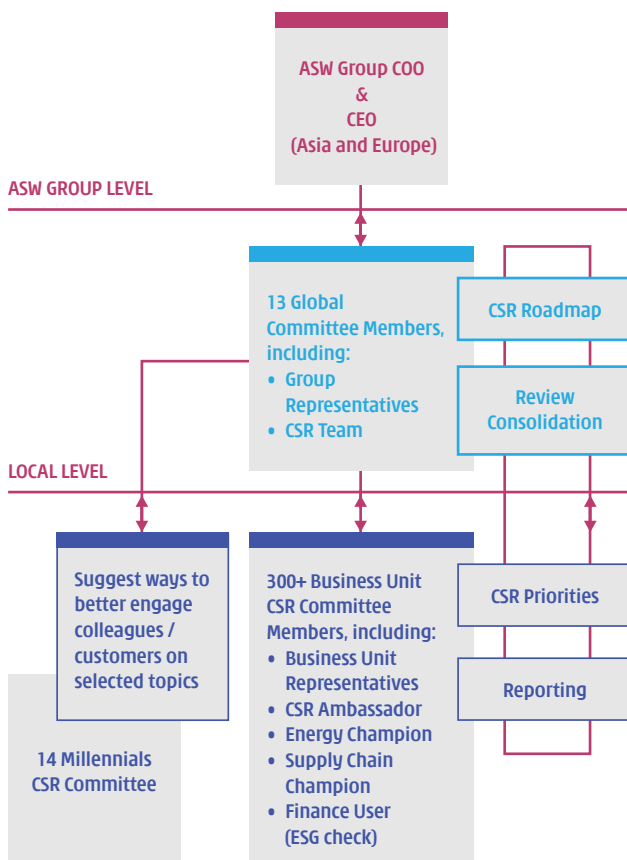
## 6.1. Sustainability Governance

The ASW Global CSR Committee drives the sustainability agenda of the Retail division in alignment with sustainability priorities, goals and policies established at the Head Office level.

The ASW Global CSR Committee is chaired by the Group Chief Operating Officer of A.S. Waston Group and the Chief Executive Officer (Asia and Europe), consists of 13 members which includes the CEOs and senior executives from subsidiaries representing different functions of the business ranging from human resources, legal, finance, IT and sustainability.

The CSR Committee sets the CSR roadmap at the ASW Group level, which is then translated to CSR priorities and initiatives to be implemented at the local level with the coordination of over 300 CSR Committee members across the business units. The progress and results are reported regularly to the ASW Global CSR Committee for their review.

To keep ahead of the curve and identify priorities relevant to millennial employees and customers, the Millennials CSR Committee was established during the year and currently has 14 millennial members. Its objective is to act as ASW's accelerator team to help formulate and strengthen communications with employees and customers and provide suggestions to the ASW Group on sustainability initiatives.



## 6.2. Product Quality and Safety

### 6.2.1. Commitment

At the Retail division, product quality and safety along with manufacturing sustainable products for customers is a key priority across all business units. ASW takes the interests of its customers to heart and has been working with leading experts and researchers globally to deliver excellent quality and value through a wide range of OB products.

### 6.2.2. The Challenges

The Retail division has seen how customer behaviour changing considerably over the past decade. More customers are becoming interested to the details of the product they are purchasing and want to obtain a thorough understanding of an array of information such as product origin, product materials, nutritional value and others.

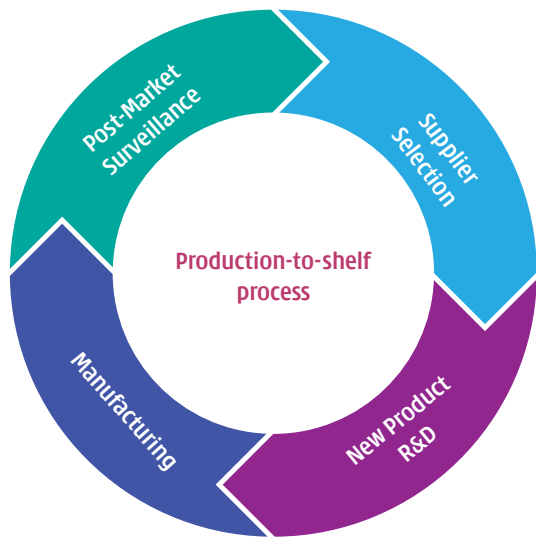
To maintain ASW's leading position in the industry, it is important to continuously enhance the safety and quality of OB products, which in turn helps to create financial value, generate social value and protect the environment.

### 6.2.3. Initiatives

#### 6.2.3.1. Ensuring the Safety and Quality of OB Products

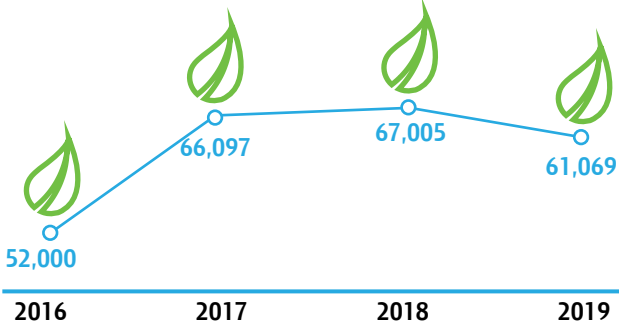
Aiming to develop a well-established mechanism on the production-to-shelf process to deliver excellent quality and valued OB products, ASW established four major measures for the production-to-shelf process to achieve such a goal. In the supplier selection process, manufacturers who have a strong track record in social and environmental aspects along with a good manufacturing practice are selected. Each potential supplier is assessed by an external auditing agency or ASW's own quality assurance team.

When developing a new product, there is a rigorous and intensive internal testing process and external assessment. All items, from raw materials to the final product, are assessed by a European toxicologist to ensure it complies with regulatory requirements in each market. Throughout the manufacturing process, additional tests are performed to ensure the safety and quality of the products.

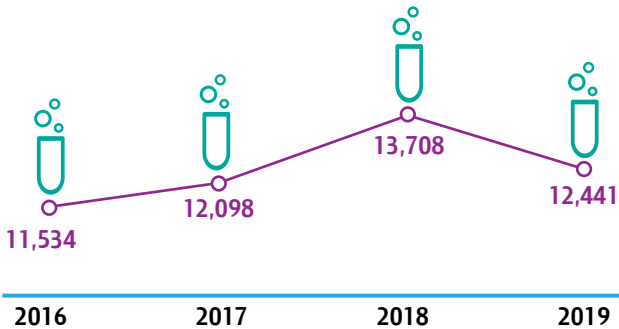


Upon a product's introduction in the retail shops, post-market surveillance programmes are conducted to constantly monitor customers' feedback. ASW conducts regular assessments of OB products led by external independent laboratories and internal ISO17025 accredited laboratories (food and non-food) to ensure the products sold to customers are up to standard.

Number of Food Tests (ASW Internal Laboratory)



Number of Non-food Tests (ASW Internal Laboratory)



### 6.3. Responsible Supply Chain Management

#### 6.3.1. Commitment

As a leading global retailer, the Retail division recognises the impact and responsibilities it has with people working in the supply chain and the planet. Working closely with suppliers, ASW seeks to operate in a responsible and sustainable manner and is committed to:

- Improving working conditions in the supply chain.
- Fighting modern slavery.
- Assessing environmental impact risks of OB suppliers.

#### 6.3.2. The Challenges

Apart from price and quality, consumers today want to know who, where and how the products were produced. It has become more important than ever for retailers to ensure supply chains are socially and environmentally responsible, from start to finish. In response to the shift in consumer attitudes and expectations, as well as the tightening legislation, ASW evaluates the environmental and social impact of supply chains as well as the risks and opportunities.

##### 6.3.2.1. amfori's Business Social Compliance Initiative

The Retail division strives to foster a healthier, safer and more ethical supply chain, for the benefit of people working in factories and their families.

ASW has been a member of amfori's BSCI since 2008. It aims at improving working conditions in the global supply chain and requires suppliers to agree to amfori's BSCI Code of Conduct as well as participate in regular compliance audits. Through e-Learning tools and workshops from amfori, ASW monitors suppliers' performance and engage with them. In 2019, ASW continued to require OB suppliers located in high risk countries to be audited against BSCI requirements, or equivalent audits that are recognised by ASW, such as

Sedex Members Ethical Trade Audits, Social Accountability 8000 and Initiative for Compliance and Sustainability. Suppliers are encouraged to obtain higher scores in the audit programme and support will be provided for their continuous improvement. In addition, all suppliers, including OB and non-OB ones, received the BSCI Code of Conduct in the contracts they signed with ASW or its subsidiaries.

#### 6.3.2.2. The Mekong club

The Retail division has been making efforts to develop and deepen the understanding of the risks in its business so as to prevent exploitation and human trafficking from taking place in business operations and the supply chain.

Since 2016, ASW has been a member of the Mekong Club ("TMC"), an organisation that helps its member companies develop and implement toolkits to avoid modern slavery within business operations. ASW was the first company to sign up to TMC's Business Pledge against Modern Slavery.

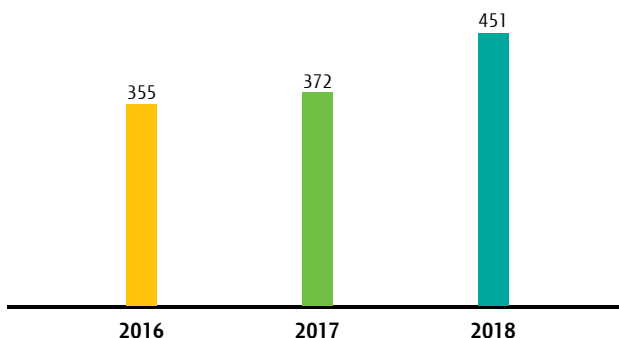
Key departments involved in supplier contract negotiation and quality assurance auditing have been trained with TMC online toolkit; staff workshops have also been carried out in Mainland China, Hong Kong, Singapore, the UK and France. In the UK, business units (The Perfume Shop, Savers, Superdrug) have also taken a commitment to fight against modern slavery, and published their statements on modern slavery and human trafficking as required by the UK Modern Slavery Act.

#### 6.3.2.3. Business environmental protection initiative

The Retail division endeavours to reduce its carbon footprint on the planet through partnering with suppliers to improve their environmental performance.

By the end of 2018, ASW rolled out the BEPI of amfori, which assessed environmental sustainability risks of suppliers, using an online assessment tool covering 11 environmental performance areas. Following the assessment, suppliers were advised on their risks and the appropriate training to attend either from amfori or from other appointed training companies, with their progress monitored over time. By the end of 2019, ASW has assessed 30% of its purchases from OB suppliers located in high-risk countries.

#### Number of supplier audits carried out



### 6.4. Labour Management

#### 6.4.1. Commitment

The Retail division's team of talents is crucial for the company to deliver excellent service and great products to customers. Therefore, ASW is committed to:

- Creating a safe, healthy, supportive and **discrimination-free** working environment.
- Providing ample opportunities to enhance one's skill, through **on-the-job training** and clearly defined **progression pathways**.
- Ensuring equal opportunities and competitiveness in **staff remuneration and recognition**.



#### 6.4.2. The Challenges

As a global retailer with a workforce of more than 136,000 (including full-time and part-time), ASW believes that its size and scale can create a significant impact on the people working for the company and the community across its value chain. By taking a proactive and holistic approach in protecting human rights, ASW can play a part to foster human and societal development.

#### 6.4.3. Initiatives

##### 6.4.3.1. Employee wellbeing

The Retail division embeds wellbeing in its culture to allow teams to do their best work through engagement and awareness programmes.

ASW launched its first global wellbeing programme in 2018 to help employees flourish and achieve their full potential. Regional business units got creative and embraced the opportunity to cover a broad range of wellbeing subjects including physical health, fitness and sport, healthy eating, mental health, financial wellbeing, work-life balance and effective sleeping.

#### 6.4.3.2. Continuous Professional Development and Education

The Retail division provides up-to-date, customer-focused training to assist staff in acquiring technical and soft skills and occupational competencies, thereby meeting the ever-changing needs of customers.

To remain at the forefront of retail excellence, ASW launched the first ever Retail Academy in Hong Kong in 2018 to manage all talent development programmes for staff in-house.

In 2019, over 440 store specialists and management staff were put forward for the Recognition of Prior Learning under Hong Kong's Qualification Framework (QF), a government initiative set up to encourage and facilitate lifelong learning to enhance the capability and competitiveness of the local workforce. It aims to enable them to obtain recognised qualifications based on their work experience and facilitate their ongoing professional development.

There were also about 3,500 professional and comprehensive courses recognised by QF offered to staff across PARKnSHOP, Watsons, Fortress and Watson's Wine. The courses are designed with the aim to well prepare staff to meet the ever-changing customer expectations.

ASW organised a set of face-to-face interactive sessions with Snackables in the UK and Milan, providing employees the opportunity to take short training courses organised by Learning and Development, as well as other teams such as eLab, and Data Lab. The programmes and schedules can be accessed and booked by anyone via an online calendar.



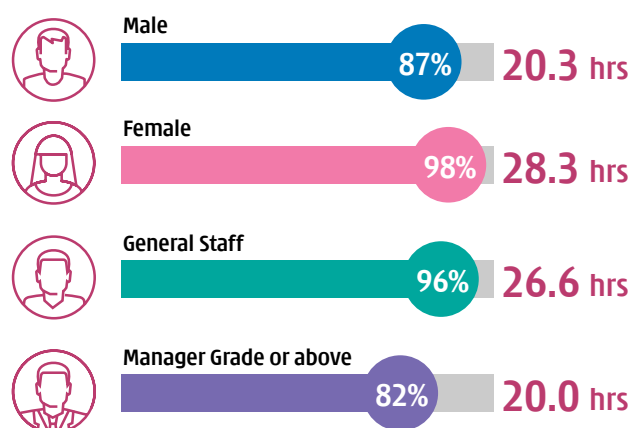
#### 6.4.3.3. Gender Equality

The Retail division offers fair and supportive workplace for people of all genders and give female employees as many career and progression opportunities as male employees.

At The Perfume Shop which employs around 2,200 employees, the median gender pay gap this year improved significantly against 2018 from 7.3% to 2.2%. This pay gap is 6.7 % smaller than that of the full-time employees in the UK, demonstrating ASW's commitment to gender pay at all levels in the business, as well as its dedication to equality in recruitment, development and promotions.

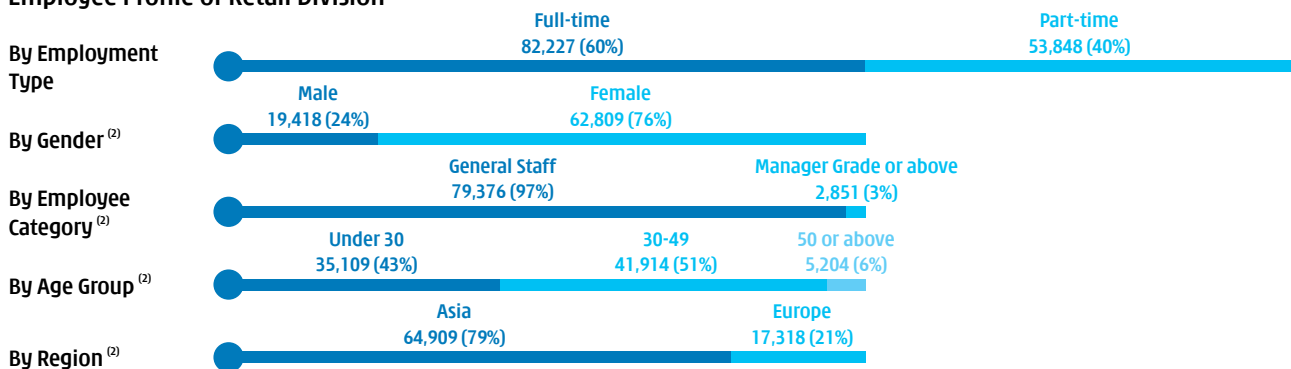
At Superdrug and Savers, there was 480,000 hours in training in 2019, where 82% of which were invested in women. Also, among 1,900 internal promotions this year, 79% of which were female.

#### Percentage of employees of Retail Divisions who received training <sup>(1)</sup> and average hours of training per employee by gender and by employee category <sup>(1) (2)</sup>



Note:

- (1) Covers the first nine months of 2019 only. Moving forward, a complete set of figures will be disclosed covering the full year as data sources improve.
- (2) The average hour of training is based on the total number of employees in respective categories as at 31 December 2019.

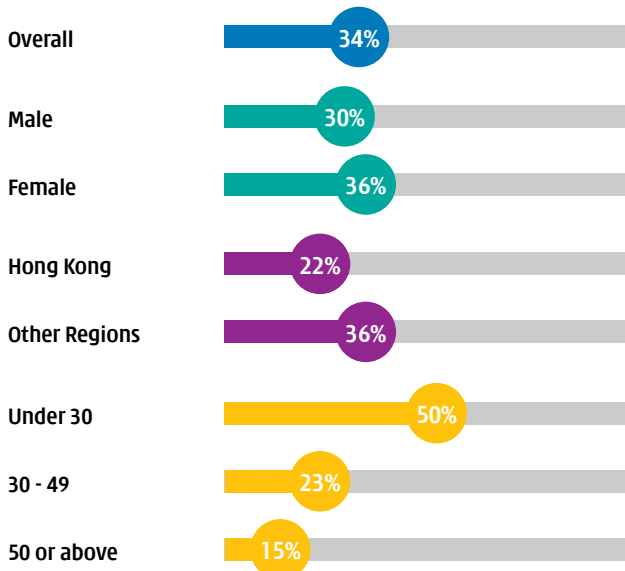
Employee Profile of Retail Division <sup>(1)</sup>

Note:

(1) Figures are as at 31 December 2019.

(2) Full-time employees only.

## Employee Turnover of Retail Division



Note:

Turnover rate refers to full-time employees only, which is calculated based on the employee departure during the year, divided by the average total number of employees as at 31 December 2019.

## 6.5. Community Engagement

## 6.5.1. Commitment

Community engagement is ASW's passion and commitment. It seeks to maintain long-term partnerships with local communities and charities, develop programmes that are mutually beneficial to its business and the community, and encourage its employees to involve in volunteering.

## 6.5.2. The Challenges

Retailers are part of the community in which they serve. To secure support from the customers and strengthen the social licence to operate, businesses should seek to build good relationships and trust with the community.

## 6.5.3. Initiatives

## 6.5.3.1. Partnerships with Communities and Charities

ASW strives to maintain long-term partnerships and support local communities and charities via donations and sponsorships.

Partnering with Operational Smile, ASW launched its first group-wide global charity campaign, "Give a Smile" in 2018. The campaign aims to sponsor surgeries for children with cleft conditions to make smile possible again. To drive awareness across business units, ASW engaged colleagues in a wide range of fundraising activities. It also educated customers about cleft





conditions through creative social media campaigns and Augmented Reality (AR) technology experience, and encourage loyal customers to donate their points to support "Operation Smile". By the end of 2019, ASW has funded over 1,500 surgeries.

For more than three years, Watsons Ukraine has been partnering with National Cardiovascular Surgery Institute Amosova to support children with congenital heart disease. Apart from engaging employees in a range of fundraising activities, customers were encouraged to donate their Watsons Club points. At 2019 year-end, 41 surgeries were supported, 75,000 Watsons Club points were donated with the participation of around 668,000 customers.

Saver and Superdrug have been working with long-term charity partner Marie Curie by raising funds and awareness for the organisation's work in providing quality care to patients suffering from terminal illness across the UK. Savers has raised over 600,000 pounds in 2017 and 2018 while Superdrug has raised 5,000,000 pounds over five years.

#### 6.5.3.2. Donating Edible Surplus

While reducing its ecological footprint and wastage, ASW donates edible surplus food to local charities and social enterprise to help feed the needy.

PARKnSHOP has been organising the "City Food Drive" programme which helps local social enterprise, Food Angel, collect grocery food items and funds from the public since 2012. For seven consecutive years, it has raised more than HK\$7.8 million and donated more than 1,800 tonnes of edible surplus food to help Food Angel prepare five million of meal boxes to feed the needy in Hong Kong.

#### 6.5.3.3. Employee Engagement

Apart from engaging the public community, the Retail division believes engaging and taking care of employees' wellbeing is also an important element to the success of its business. Employees are encouraged to participate in volunteer work and improve their wellbeing to unlock their full potential.

At "Smile for Good", ASW staff across the world has put in a total of 70,000 volunteer hours to help those in need and create a more caring community. In 2019, ASW hosted or participated in 257 activities with over 12,500 volunteers participating.

#### 6.5.3.4. Youth Development

The Retail division supports the community's youth through the sponsorship of local athletic events, contributing to young athletes' growth and development.

Watsons Athletic Club ("WAC"), celebrating its 30<sup>th</sup> anniversary in 2019, has always been central to the development of young athletic talents in Hong Kong. Over the years, more than 10,000 students have challenged themselves and realised their dreams through taking part in WAC's initiatives.

WAC also organised a series of events under the slogan "Reaching New Heights" to celebrate its remarkable achievements and pass the torch to a new generation of young athletes.

To encourage talented student athletes to pursue their interests and develop potential, ASW organised the "A.S. Watson Group Hong Kong Student Sports Awards" in 2005 to honour students who exhibit outstanding performance or great potential, demonstrating passion and good conduct in sport. Since 2005, the programme saw over 14,000 students nominated from over 1,000 primary, secondary and special schools across Hong Kong. Awardees would be invited to participate in leadership workshops, and outstanding awardees will be selected to join the Sports Exchange Tour and will be invited to attend an appreciation lunch as well as a volunteer service.

ASW has also been supporting the Future Stars – Upward Mobility Scholarship organised by the HKSAR Government since 2016. Through the programme, ASW provides grassroots secondary students with both direct scholarship support and career-focused activities to gain practical working experience. ASW also organises visits to PARKnSHOP's Sheung Shui Fresh Food Distribution Centre and Fortress stores, and provide students with summer placements at Watsons stores and event management experience in sports events.

#### 6.6.2. The Challenges

With an extensive retail network spread across a wide range of locations and cultures, regional differences of the stores have to be considered in localising energy management policies and practices to suit their operational needs. Besides the need for adaptive energy management measures, GHG emissions performance is also dependent on the fuel mix used by electricity providers in local markets.

#### 6.6.3. Initiatives

##### 6.6.3.1. Energy Management Programme

In 2014, ASW launched the Energy Management Programme to manage energy use. As part of the plan, Energy Champions are appointed to support proper execution of Energy Management Programme goals at the different markets where ASW operates in.

Energy-saving initiatives were implemented in stores to help improve energy efficiency, ranging from hardware improvements such as gradual LED replacement and investments in other energy-efficient hardware, to behavioural changes concerning staff awareness. Where practicable, sustainable energy sources are introduced into the existing energy mix. By the end of 2019, all business units in the UK and Kruidvat in Belgium switched to 100% renewable energy, with Trekpleister and Kruidvat in the Netherlands using 80% renewable energy in their energy mix.

A Supply Chain Toolkit was implemented to help the in-house vehicle fleet and the subcontracted transport fleet to develop localised fuel-efficiency strategies. As part of this, best practices are promoted and both internal staff and external contractors are engaged to adapt fuel efficiency measures.

As a result of the energy reduction measures, total net GHG emissions (Scope 1 and 2) have dropped 30% compared to the 2015 baseline.

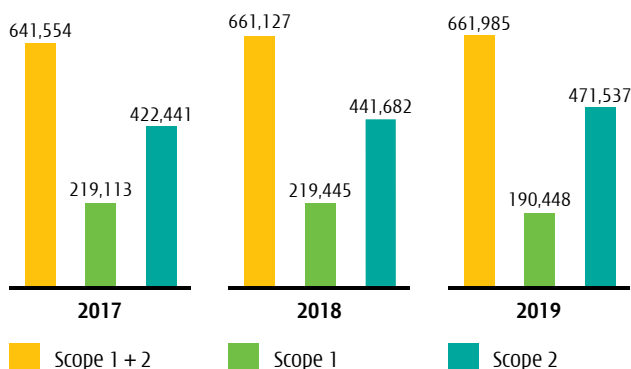
## 6.6. GHG Emissions and Energy Efficiency

### 6.6.1. Commitment

The majority of the Scope 1 and 2 GHG emissions at the Retail division comes from energy consumption, in particular purchased electricity. Therefore, ASW is committed to reducing GHG emissions by improving energy efficiency and using renewable energy sources to reduce emission.



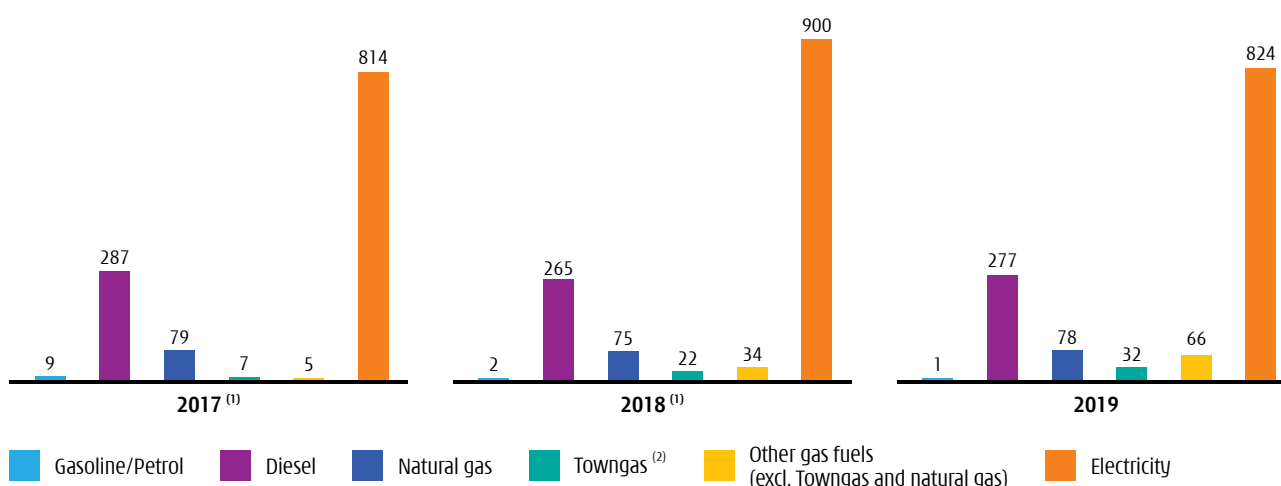
### GHG Scope 1 and 2 Emissions in Retail Division (tCO<sub>2</sub>e)



Note:

The GHG emissions have been restated mainly due to a unit conversion error.

### Energy Consumption in Retail Division (GWh)



Note:

(1) The 2017 and 2018 figures were mainly restated due to a unit conversion error.

(2) The term is revised to better clarify the fuel used. "Towngas/Gas work gas" was the term used previously.

## 6.7. Waste Management and Circular Economy

### 6.7.1. Commitment

ASW is committed to minimising the amount of waste going into landfills by adopting a circular economy model, where possible, and abide strictly to local requirements in terms of waste collection and disposal. The company makes every effort to ensure no hazardous waste is sent to landfills and to minimise the amount of non-hazardous waste sent to landfills. Additionally, ASW has signed up to the "New Plastic Economy" Global commitment for their OB products, working to eliminate plastic items that are not needed, innovate such that all plastics are designed to be safely reused, recycled or composted, and circulate everything to keep in the economy and out of the environment.

### 6.7.2. The Challenges

Waste management in the retail industry has been a prominent topic as the industry has traditionally involved in



# 83,503

tonnes total non-hazardous waste produced

creating a significant volume of waste through items such as food, single-use plastics and packaging. In recent years, the ASW Group has been actively exploring opportunities to reduce the waste generated across the value chain.

### 6.7.3. Initiatives

#### 6.7.3.1. Improving Store Carrier Bags

Across the Retail operations, various types of store carrier bags are offered for the convenience of

customers. ASW aims to reduce the provision of single-use carrier bags and use alternatives such as reusable bags, paper bags or bags made partially with recycled plastic content.

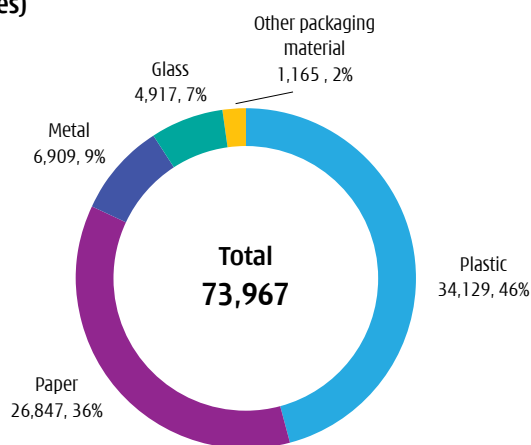
Currently, business units in Europe provide carrier bags which includes a minimum of 25% recycled plastic content. In Asia, this figure is 5-10%. ASW strives to increase the use of recycled plastic content to 25% in Asia to align with Europe.

Paper bags are also offered in multiple locations and customers are encouraged to switch to reusable bags. In Hong Kong, programmes such as “Share Your Bag and Bring Your Own Boxes” are implemented at designed stores.

### 6.7.3.2. Reducing Packaging

There is a significant growth in online business across the world, which has led to an additional use of packaging materials required for product shipment. In the supermarket division, customers' feedback on the extensive use of plastic packaging for raw and fresh products are received.

**Total packaging material used for finished products (tonnes)**



To reduce packaging, business units have been reinventing and redesigning product packaging to keep them safe in transportation with minimal use of materials. In 2018, the regional eCommerce team released guidelines on packaging and dispatch notes not only to standardise the look and feel but also to optimise the amount of material used.

In the guidelines, key strategies and directions, such as introducing product refill options and phasing out the use of PVC in packaging, were introduced for business units to act on.

### 6.7.3.3. Collection of Empty Containers in Stores

ASW partnered with recyclers to collect empty glass and plastic containers from customers and to process them back into raw materials for further re-use in support of circular economy.

Up to 2019, four business units across four operating markets are collecting empty containers for personal care/cosmetics products from customers. In Hong Kong, empty glass containers and water bottles are being collected and reverse vending machines are added to collect empty plastic water bottles. In 2020, it aims to expand the empty containers recycling programme to two new markets.



### 6.7.3.4. Testing In-store Refill

Customer refill may be a potential business model to substantially cut back on plastic waste, and ASW has worked with strategic suppliers to review the opportunity of introducing this initiative.

In Hong Kong, a personal care refill station for a New Zealand brand “ecostore” was launched in PARKnSHOP. Customers can now bring in their container to purchase refills. In 2019, the lines of refill stations have expanded to include olive oil, vinegar and whiskey refill by Vom Fass and nuts corner by Hart.

### 6.7.3.5. Non-hazardous Waste Recycling in Warehouses

The Retail division strives to reduce and recycle warehouse wastes. In daily operation, non-hazardous wastes are handled in compliance with local legislations. Non-hazardous waste is either managed through shopping malls' own waste management systems or brought back to the warehouses to be delivered to local recyclers. This waste usually comes from secondary and tertiary packaging.

#### 6.7.3.6. Banning the Use of Microplastics

The use of microplastics has been a topic of concern in the retail and cosmetics industry in the past couple of years. The Retail division has been taking steps to fully ban the use of microplastics in the development of OB rinse-off cosmetics/personal care scrub products since 2014.

To further fulfil the Retail division's commitment to the environment, ASW has stopped selling all rinse-off cosmetics products/personal care products containing microplastics at its stores since January 2020. With the changes on the definition of microplastics in Europe and potential extended restrictions, ASW is actively working with suppliers to fulfil any additional requirements.

#### 6.7.3.7. Mitigating the Impact of Plastics

With retail and beverage manufacturing being key parts of ASW's business, the company is committed to contribute to the global effort of combating plastic waste.

Four key focus areas in achieving such goal are identified, including:

- Reduce unnecessary and problematic plastic.
- Make packaging more recyclable.
- Explore reusable packaging models.
- Use recycled plastic content.

At Watsons Water, a goal to have all plastic bottles made from 100% recyclable PET materials by 2020 was set.

ASW is also currently reviewing its portfolio of single-use OB plastic products to determine whether they can be re-designed to be recycled, reused or made with better alternative materials. However, this can only be done in markets where regulations allow.

PARKnSHOP was the first supermarket in Hong Kong to launch a trial of non-package fruits and vegetables at three of its university stores. The trial has enabled PARKnSHOP to identify the direct impact of shelf life of certain fruits and vegetables along with the demand for sustainable packaging solution.

#### 6.7.3.8. Making OB Products More Sustainable

The Retail division is committed to having 100% of the dry paper products (toilet tissue, facial tissue and related items) made of PEFC or traceable recycled paper by 2025.

By 2018, dry paper products had already transitioned to sustainable paper sources such as PEFC.



#### 6.7.4. Looking Forward

Immediate next steps are identified to help ASW become more environmentally-friendly, with the upcoming initiatives:

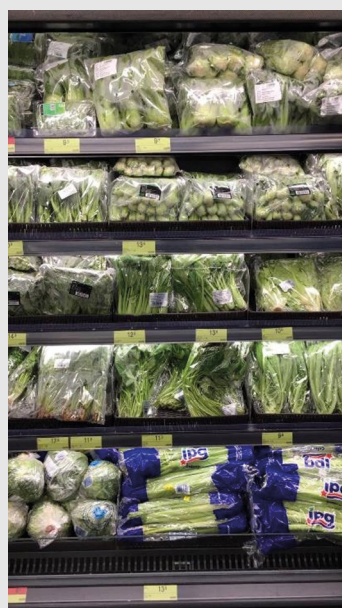
- Installing 400 reverse vending machines in Hong Kong by 2025, with a target to collect 50% equivalent Watsons Water bottles by 2025 and 100% equivalent by 2030.
- Installing 100 water refill stations by 2025.

In Q1 2020, ASW also launched the 2030 Sustainable Packaging Strategy, covering OB products packaging, carrier bags and eCommerce parcels. And in Q2, ASW officially signed up to the "New Plastic Economy" Global commitment.

Below are a few key goals and objectives identified in ASW OB Sustainable Packaging strategy:

- Eliminating unnecessary and problematic packaging. For example through avoiding over-packaging and phasing out PVC by 2030.
- Promoting packaging that is more recyclable or reusable.
- Targeting to use a minimum of 20% recycled plastic content in plastic packaging by 2025 (ASW average), if supply allows.

Before



After





# INFRASTRUCTURE



As a leading player in the global infrastructure area, the Infrastructure division has a variety of investments and developments across the world including Energy Infrastructure, Transportation Infrastructure, Water Infrastructure, Waste Management, Waste-to-energy, Household Infrastructure and Infrastructure Related Businesses.

The Infrastructure division is committed to implementing initiatives such as adopting new clean technologies, improving energy efficiency, and reducing wastage to help make the world a better place and fight against climate change while creating a sustainable business.

## Key Sustainability Achievements in 2019

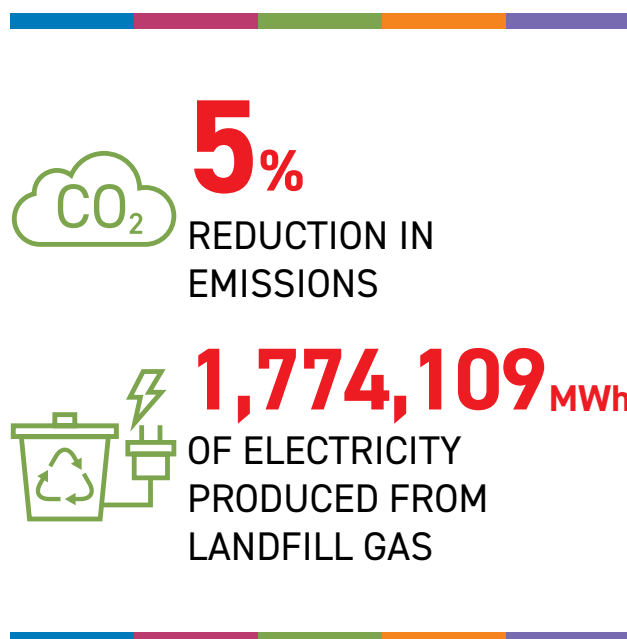
- AVR-Afvalverwerking B.V. ("AVR")'s CO<sub>2</sub> capture plant commenced operation.
- AVR completed separation plant for plastics and drink cartons from residual waste.
- Hydrogen projects for clean energy.
- UK Power Networks ("UKPN") had over 7GW more of renewable energies connected to its networks between 2011-2018.

## Key Sustainability Initiatives in 2020

- Improve energy efficiency.
- Reduce wastage.
- Explore use of technology to assist in monitoring.
- Invest in business to improve consumer experience.
- UKPN to build more energy infrastructure to support electric vehicle charging and smart meter projects.



Read more on  
CK Infrastructure's corporate  
website and ESG Report



## 7.1. Sustainability Governance

CKI's Environment, Social and Governance working group comprised of members from relevant functions within CKI, including International Operation, China Infrastructure, Corporate Finance, Business Development, Finance & Accounting, Corporate Legal, Corporate Affairs, Company Secretarial, Planning & Investment, Internal Audit, Information Technology, Administration and Human Resources. To facilitate the coordination of activities among the business units within the Infrastructure division, it also includes designated personnel of Power Assets (including HK Electric), Green Island Cement & Alliance Construction Materials, UKPN, Northumbrian Water, Northern Gas Networks, Wales & West Utilities, Seabank Power, UK Rails, SA Power Networks, Victoria Power Networks, Australian Gas Networks, Dampier Bunbury Pipeline, Multinet Gas, Energy Developments, United Energy, Australian Energy Operations, Wellington Electricity, EnviroNZ, Dutch Enviro Energy, Portugal Renewable Energy, ista, Canadian Power, Park'N Fly, Canadian Midstream Assets and Reliance Home Comfort.

In managing and reporting the sustainability performance of the division, the sustainability working group identifies and assesses material sustainability aspects of the operations. CKI's management provides confirmation that appropriate and effective sustainability risk management and internal control systems are in place.

## 7.2. Anti-Corruption

### 7.2.1. Commitment

The Infrastructure division has zero-tolerance on any forms of bribery, corruption and fraud. Policies and measures against corruption and other malpractices are also adopted by business units across the division.

### 7.2.2. The Challenges

As the Infrastructure division is spread globally, it is important to take a proactive and holistic approach to avoid any incidents of bribery and corruption. It heavily relies on its operating companies to develop an all rounded anti-corruption policy and training to its staff based on the requirements of the Group and local government requirements for any controlling subsidiaries.

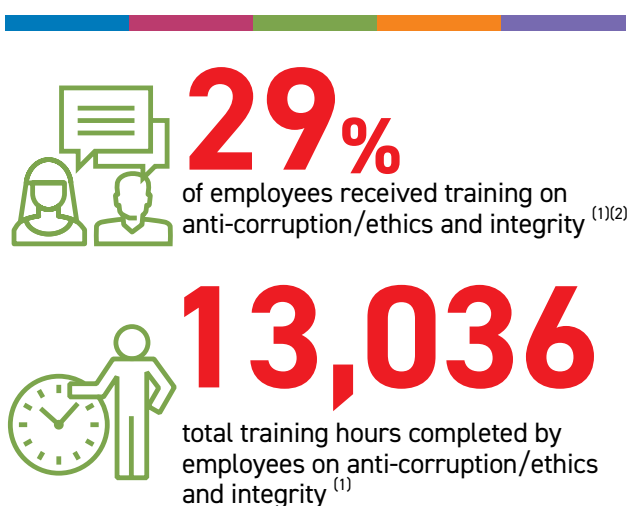
### 7.2.3. Initiatives

#### 7.2.3.1. Anti-competition Monitoring Control System

The Infrastructure division has monitoring and management control systems in place to detect bribery, fraud or other malpractice activities directly at the source. Employees and all other concerned stakeholders are encouraged to raise concerns on suspected cases

through the company's whistleblowing mechanisms. Employees and stakeholders are able to report their concerns through multiple channels such as phone, fax, post or email.

The division will conduct initial assessments and liaise closely with the respective business units. Upon initial investigation, any significant cases that require follow up may be reported to management and investigated internally by the Audit Committee or other departments of the company delegated by the Audit Committee. All cases are treated in a highly confidential manner and any whistleblowers will be protected from any unfair treatment.



Note:

(1) It covers full-time and part-time employees.

(2) It is calculated based on the latest available full-year figures, divided by the total number of employees as at 31 December 2019.

## 7.3. Occupational Health and Safety

### 7.3.1. Commitment

Employees of the Infrastructure division are exposed to a number of occupational hazards and risks that might adversely affect their health. The division is committed to providing a safe and healthy work environment for its employees with the initiatives listed below.

### 7.3.2 The Challenges

While occupational health and safety is one of the priorities for most employers, it is even more important for businesses requiring working in hazardous environments, such as Infrastructure. The occurrence of work-related incidents, injuries, diseases and deaths can add to a company's costs, cause damage to corporate reputation or even end businesses if appropriate measures are not

in place. Therefore, creating a safe and well-supervised working environment is of utmost importance in the division's day-to-day operations.

### 7.3.3. Initiatives

#### 7.3.3.1. Creating a Strong Culture of Safety

The Infrastructure division strives to improve safety leadership and strengthen safety culture within the organisation.



Australian Gas Networks used to track its safety performance using lag indicators, which only worked when something has gone wrong but were unable to stop incidents before they happened. In 2019, the company adopted Leading Indicator Cultural Models which considered a range of key performance indicators related to employees' health, safety and environmental ("HSE") objectives, with scores and weightings aligned to its vision, including:

- Effective leadership engagements: face-to-face discussions completed by senior leaders focusing on recognising and reinforcing HSE behaviours.
- Meeting actions.
- Reporting compliance.
- Field audit completion.
- Training compliances.

AVR held a Safety Week during which employees assumed the role of safety experts and came up with ideas. The managers went around the sites to talk to employees once a month while the Board did this fortnightly. The discussions covered topics like safe behaviour, employees' working methods, training courses and their awareness of emergency numbers and assembly points.

Northern Gas Networks in the UK obtained the third consecutive gold award from the Royal Society for Prevention of Accidents for demonstrating leading practices in health and safety.

#### 7.3.3.2. Caring for Employees' Mental Health

CKI aids employees affected by mental health issues and open the conversation around mental health in the workplace.

Northern Gas Networks engaged external training providers to deliver a Mental Health Awareness Programme, including training, workshops and events network-wide over the course of 2019 to better inform employees of the importance of mental health.

HK Electric continued to use "Drive your own purpose" as a theme for year 2019, aimed at motivating employees to take ownership of their own physical and emotional wellness. A wide range of initiatives including interest classes, seminars, health talks, training courses and fitness activities ran to help staff maintain work-life balance.

# 0

work-related fatalities



# 4,069

lost days due to work injury

Note:

Latest available full-year figures.

## 7.4. Community Engagement

### 7.4.1. Commitment

As a utility services provider, the Infrastructure division is in a good position to deliver added value to local communities. Among these regions, there are some economically challenged communities from rural or remote areas, and as companies embedded in these neighbourhoods, there is a duty for the operating companies to actively engage and support communities and individuals faced with fuel poverty and associated forms of vulnerability.





#### 7.4.2. The Challenges

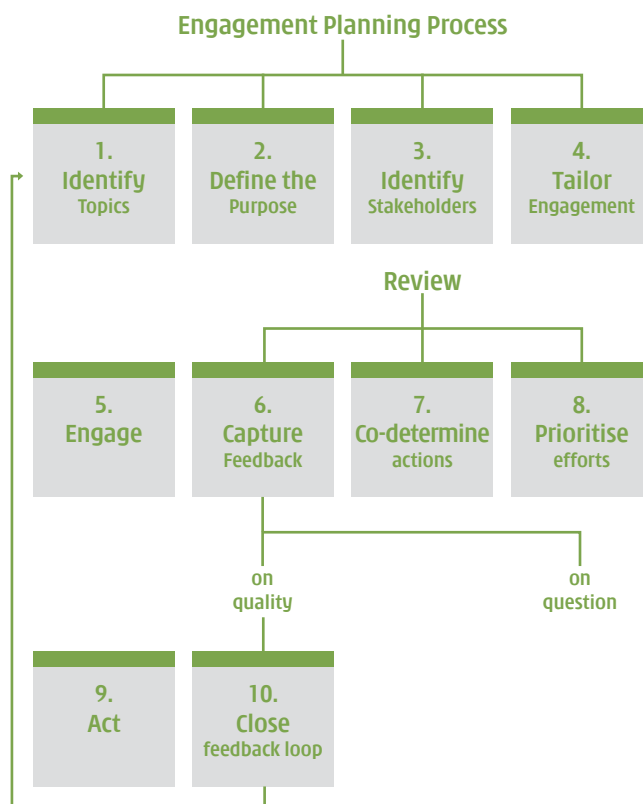
In today's highly interconnected world, corporates operate within a complex network of influence. To be successful, it is important to recognise the different views and experiences of others, and balance between the conflicting stakeholder demands. Corporates also need to be able to measure the effectiveness of engagement and investment programmes in order to provide insights for more targeted community initiatives in the future.

#### 7.4.3. Initiatives

##### 7.4.3.1. Supporting Effective Engagement

Effective engagement helps translate stakeholder needs into organisational goals and creates the basis of effective strategy development. In order to maintain regular and effective dialogue, operating companies establish different stakeholder engagement programmes to engage in tailored ways for more effective communication.

At Wales & West Utilities, the comprehensive engagement process is informed by three high-level principles of inclusivity, transparency and continuous improvement. These principles consider those identified in the AA1000 Stakeholder Engagement Standard, as well as reflecting our own businesses values and approach in engaging with stakeholders.



Working alongside the ongoing and extensive programme of engagement with both stakeholders and customers, Wales & West Utilities also has a Customer Engagement Group ("CEG") that robustly challenges the company's plans and for future investment, customer services and social obligations, environmental performance, etc. Formed by nine members representing different customers and stakeholders, with specialisms in different areas, the CEG is independent from both Wales & West Utilities and its regulator, the CEG's views will help the regulator to understand how Wales & West Utilities' business plans reflect and meet the needs of different stakeholders.

#### 7.4.3.2. Shaping Future Energy Policies through Engagement

A low-carbon future is important to customers and there has been active engagements with stakeholders, policymakers and the community more generally to help shape this future.

Over the course of 2019, Australian Gas Infrastructure Group ("AGIG") presented at more than 25 conferences and stakeholder meetings, outlining the future development of gas through the development of hydrogen and biogas resources. Through submissions to government, regulators and industry groups, the company supported the need for Australia to reduce its emissions and highlighted the benefits of green gas in achieving this objective. In particular, it has supported the introduction of a target on mixing renewable gases into existing gas blend to accelerate the industry, decarbonise the domestic market and help Australia capture the export opportunities presented by hydrogen.

AGIG participated in a number of committees and working groups with a view to developing policies and strategies to enable a low-carbon future including:

- The Stakeholder Advisory Panel supporting the development of Australia's National Hydrogen Strategy.
- The Western Australian Renewable Hydrogen Council supporting the Western Australian Renewable Hydrogen Strategy.
- Bioenergy Australia, the peak body for the bioenergy industry.
- The Australian Hydrogen Council, the peak body for the hydrogen industry.
- The Future Fuels Cooperative Research Centre, an industry focused research, design and development partnership supporting Australia's transition to a low carbon energy future.

#### 7.4.3.3. Investing in the Neighbourhood

Through different investments and initiatives, the Infrastructure division supports the communities it serves in a number of different ways.

In the UK, Northumbrian Water Group has established four Community Foundation Funds for organisations seeking to make a difference in their community. A panel made up of employees will meet to review applications on a regular basis. They make the decision to give grants, with priority given to those applications that set out to improve the health, education and environment of the community.

Northumbrian Water Group also encourages employees to support community and charitable organisations through the employee volunteering scheme "Just An Hour". This scheme allows employees to give a minimum of 15 hours every year to support causes close to their hearts. Not only does the programme provide employees with opportunities to serve the community it also allows them to learn new skills and can increase their confidence.

In Australia, Energy Developments supports three community investment initiatives around its remote operations, namely the West Kimberley Community Fund, Cullerin Range Wind Farm Community Enhancement Fund and Coober Pedy Community Fund. Through the funds, Energy Developments seeks to create lasting value for the communities and nurture community wellbeing through the support of not-for-profit, community-driven projects or activities.

## 7.5. Opportunities in Clean Technology

### 7.5.1. Commitment

With diversified investments, the Infrastructure division brings a positive environmental impact through the adoption of new clean technologies. Throughout the different operations, CKI encourages operating companies to explore and adopt new clean technologies where practicable.

### 7.5.2. The Challenges

Currently fossil fuels contribute the majority of global energy supply, and play a significant industrial role. With the existing energy infrastructure built for conventional fuels like coal and oil, major infrastructural change is required and this could hinder the development of cleaning technologies, in terms of cost and time, and discourage the adoption of clean technology.

### 7.5.3. Initiatives

#### 7.5.3.1. Supporting Renewable Energy Development and Low Carbon Transition

Through the diversified investments in energy infrastructure, CKI has been preparing for a future powered by clean energy through different solutions ranging from renewables like solar and wind farms, hydroelectricity, hybrid projects, and energy transmission infrastructure which connects clean energy to existing grids for a more widespread deployment of renewable energy.

To encourage localised solar generation, there is a partnership between UKPN, Repowering London and EDF Energy. Its purpose is to trial a unique project at Elmore House in Brixton, south London, which enables the residents to access electricity generated from a solar PV system on the block's roof, store it in a battery and trade with one another using blockchain technology. This model has the potential to enable more people to use renewable energy at a lower cost, and bring new income for individuals and communities by participating in the flexibility market. From 2011 to 2018, there were already over seven GWs of renewables directly connected to UKPN's networks.

Besides developing localised renewables, efforts are also made to expand the smart grid capability and electric vehicle capacity in the UK. The enhanced smart grid functions will allow a more accurate prediction of electricity demand and supply, and better utilisation of the renewable generators and storage system for a greener and more effective grid system. Together with the strengthening of electric vehicle charging infrastructure, the initiatives are enabling UK's transition to a low-carbon economy.

In Australia, SA Power Networks formulated a "2016-2031 Future Operating Model" to explore what the future and our business would look like in 15 years and used the insight to help explore the strategic choices it could make. With distributed energy resources becoming much more common, it changes the way energy companies plan and manage their infrastructure and service network. In response to this, the company is now investigating and investing in the use of renewable energy and battery storage in the network, and provides support to customers interested in adopting this emerging technology.

#### 7.5.3.2. Introducing Alternative Fuels and Hybrid Energy

In addition to renewables, the Infrastructure division is



also exploring different clean technology opportunities through the use of landfill gas, remote energy, waste coal mine gas, renewable natural gas and other alternative fuels to support the low-carbon transition of the global economy.

In the UK, Northern Gas Networks introduced a large-scale project, H21, to reduce carbon emissions and support conversion of the gas networks in the UK to carry 100% hydrogen. In July 2019, the project launched the testing facility for 100% hydrogen to inform government policy decision on the use of hydrogen in the existing gas network. Going forward, the site will carry out controlled tests to establish the critical safety evidence proving that a 100% hydrogen gas network is as safe as the natural gas grid heating homes and businesses today.

In Australia, Australian Gas Networks is preparing the existing gas network for biogas such as biomethane and greener alternatives like hydrogen, which allows the deployment of low-carbon alternatives in the gas distribution network.



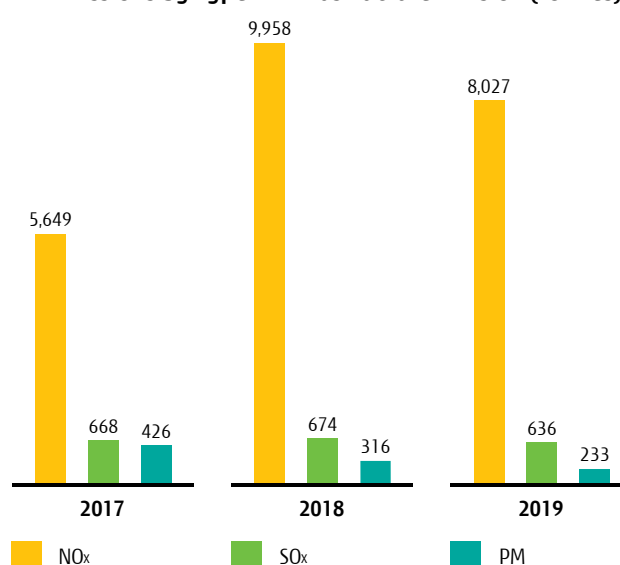
### 7.5.3.3. Transforming Waste to Energy

With the enormous amount of municipal waste being generated in cities, there is also a huge potential in developing waste-to-energy facilities. In the Netherlands, the construction of a separation plant that separates plastics and drinks cartons from residual waste was completed in 2019. The plant generates steam via the incineration of residual waste and uses the heat to warm 150,000 households and supply electricity for 190,000 houses. Dutch Enviro Energy's CO<sub>2</sub> capture plant at Duiven started supplying CO<sub>2</sub> to horticulture greenhouses last year. This facility enables the reuse of 60,000 tons of CO<sub>2</sub> which are generated from residual waste processing.

Energy Developments produced 1,774,109 MWh of electricity from landfill gas. It is also working to install a biodome to store landfill gas for conversion when energy demand is high.

In Hong Kong, HK Electric has been optimising fuel mix by increasing the use of natural gas and working with local government to formulate new and more stringent emissions allowances from 2024 and onwards. To increase the proportion of gas-fired generation and decrease the emissions of sulphur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and particulate matters (PM), a new gas-fired generating unit equipped with Selective Catalytic Reduction systems was constructed in 2019 and two others are expected to be operational in 2022 and 2023.

**Air Emissions by Type in Infrastructure Division (tonnes)**



Note:

The 2017 and 2018 figures were restated according to CKI Annual Reports 2018 and 2019.

## 7.6. Environmental Management

### 7.6.1. Commitment

The Infrastructure division is cognizant of the significance of environmental management. This is why it has invested in a diverse portfolio of investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, energy-from-waste, household infrastructure and infrastructure related businesses. The division is committed to minimise negative impacts on the environment and optimise the use of resources.

### 7.6.2. The Challenges

Adverse environmental impacts may occur in the construction and operational stages of infrastructure projects. As rapidly growing populations and urbanization lead to increasing demand of infrastructures, the Infrastructure division is facing challenges of supply, sufficiency and sustainability. The division must move forward responsibly and integrate environmental concerns into its business, including developing innovative ways to minimise negative environmental impacts and protect sensitive habitats from being irrevocably damaged during the design, planning, construction and operation of its projects.

### 7.6.3. Initiatives

#### 7.6.3.1. Reducing Air Pollutants and GHG Emissions

CKI aims to meet the ever-tightening emission standards and continuously reduce air pollutants and GHG emissions.

In Canada, coal-to-gas conversion was carried out on Canadian Power's only coal-fired power station, Sheerness power plant to reduce GHG emissions. Besides, a maintenance programme diagnosing leakages from natural gas systems and repairing them on a timely basis was implemented in Canadian Power's Meridian plant to minimise the release of fugitive GHG into the atmosphere.

Dutch Enviro Energy's CO<sub>2</sub> capture facility, the first waste facility in Europe to capture CO<sub>2</sub> on a large scale, commenced operations in 2019. CO<sub>2</sub> released after the incineration of residual waste was captured, cleaned and liquefied for use in greenhouse horticulture. The facility processes waste from 1.5 million homes and has a maximum capacity of 100,000 tonnes per annum.

To make its fleet greener and to support sustainable transport, UKPN introduced a new connection product that enabled 18.5 million carbon emission-free

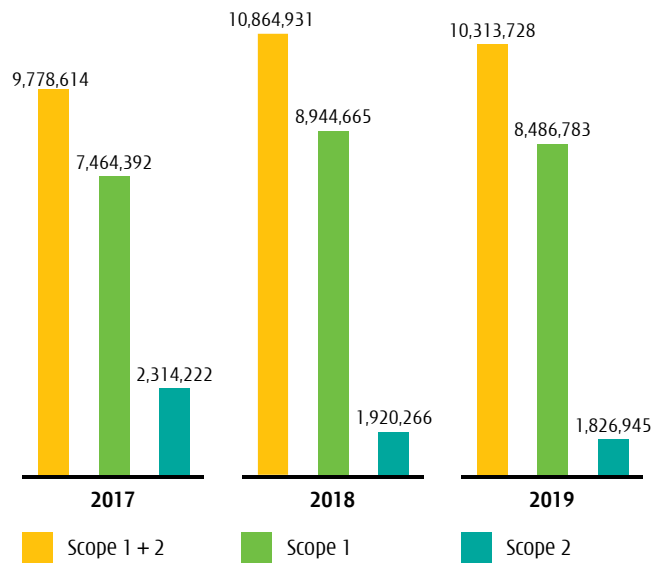


passenger journeys in one year. Northern Gas Networks conducted field trials of alternatively fuelled vehicles, including hydrogen, electric and compressed natural gas. GHG emissions from Northern Gas Networks' vehicles have reduced by 2.5% from 2016 to 2019.

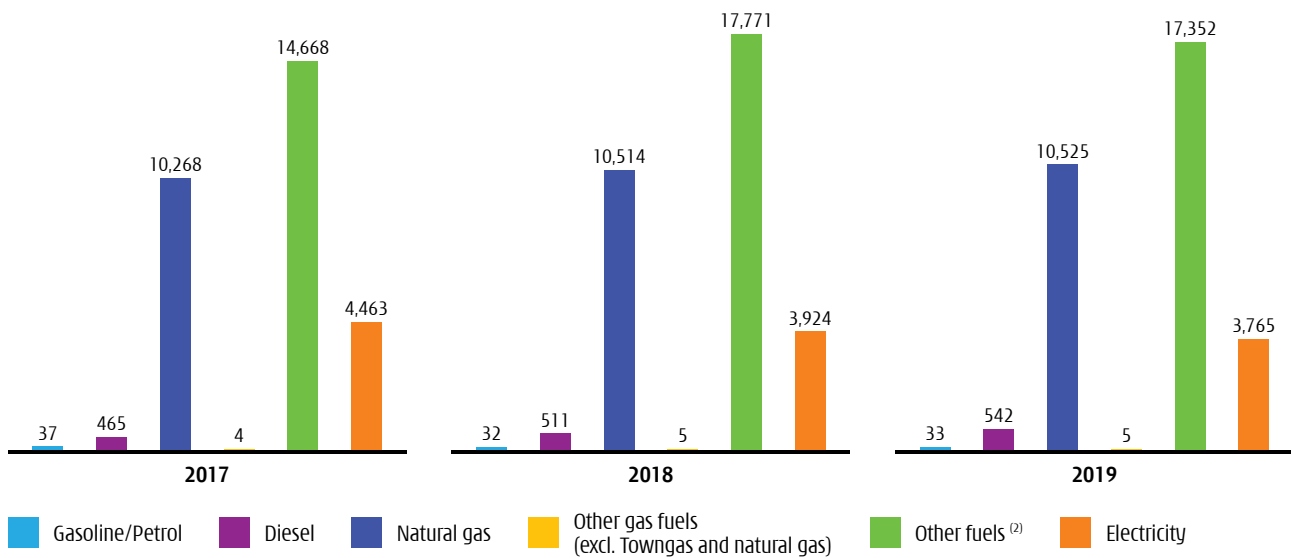
In the UK, in support of Wales & West Utilities zero emission fleet ambition, a change in the company car policy was initiated in 2019 to encourage employees to opt for electric and ultra-low emissions vehicles.

At ista, one of the Infrastructure division's investments in Europe, the company funded the reforestation of one hectare of new rainforest in Costa Rica to make use of the 9.4 tonnes of CO<sub>2</sub> stored by the trees every year. Through this project, it was able to offset nearly all the emissions from ista Croatia's electricity consumption.

#### GHG Scope 1 and 2 Emissions in Infrastructure Division <sup>(1)</sup> (tCO<sub>2</sub>e)



#### Energy Consumption in Infrastructure division <sup>(1)</sup> (GWh)



Note:

(1) The 2017 and 2018 figures were restated according to CKI Annual Reports 2018 and 2019.

(2) Other fuels include residual fuel oil, waste oils, landfill gas, energy generated from industrial and municipal wastes, etc.



### 7.6.3.2. Promoting Reuse, Recycling and Reduction of Waste

CKI aims to reduce waste generation and turn waste into useful materials.

To avoid waste pipes generated in its gas mains replacement programme being disposed of to landfill, Northern Gas Networks in the UK took part in a recycling scheme and installed dedicated recycling bins in workplaces to encourage recycling of the plastic pipe waste. In 2019, waste plastic pipe totally 191 tonnes were recycled.

At Dutch Enviro Energy's Rosenberg facility, a plastic waste pre-sorting and separation facility began operations to increase the reuse of recyclable plastics and sorted 19 kilotonnes of plastics for reuse in 2019.

EnviroNZ in New Zealand commenced a domestic food waste and domestic refuse collection contract from 2019 to 2024 which included using six fully electric collection vehicles for the New Plymouth District Council, for the purpose of enabling the recycling of domestic waste as well as reducing waste sent to landfill.

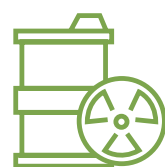
AVR, owned by Dutch Enviro Energy, started to run its separation plant for sorting plastic, foils and drink

cartons from residual household waste in December 2018. By the end of 2019, over 19,000 tons of plastic packaging and drinks cartons were separated, 90% of which were further offered to recyclers.

### 7.6.3.3. Managing Water for People and Nature

CKI aims to prevent water pollution and use fresh water more efficiently.

Green Island Cement in Hong Kong has equipped a self-sewage treatment plant to treat and reuse wastewater for internal plant irrigation. Recycling stormwater for



# 106,622

tonnes total hazardous waste produced



# 508,859

tonnes total non-hazardous waste produced

process cooling has also been applied to minimise the amount of freshwater extracted. By effectively managing wastewater treatment, no wastewater was discharged to the sea in 2019.

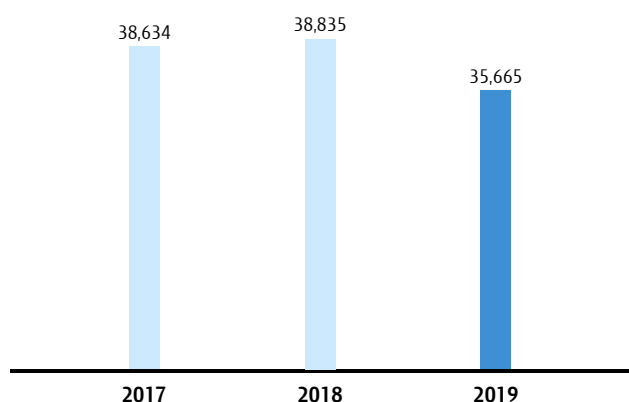
In 2019, around 23,000 cubic metres of high quality clean water was recovered in the reverse osmosis leachate treatment plant operated by EnviroNZ in New Zealand at its Hampton PARRC Landfill, making the treated water fit for reuse or direct discharge to the environment.

Seabank Power in the UK maintained an increase to the concentration factor of cooling water, effectively optimising water used for make-up and purging, and reducing the need for chemical treatment.

HK Electric has been collecting rain water and plant processing water for reuse at the Lamma Power Station. In 2019, approximately 121,000 cubic metres of rain water and plant processing water were collected for reuse.

To provide reliable and sustainable water supplies to meet customer demand, Northumbrian Water in the UK developed a water resource management plan (WRMP 2019) for the next 40 years, with future droughts, climate change and the need for environmental protection taken into account. The company also valued efficient use of water by reducing leakage from water pipes as well as advising customers on water conservation.

**Water Consumption in Infrastructure Division ('000 m<sup>3</sup>)**



Note:  
The 2017 and 2018 figures were restated according to CKI Annual Reports 2018 and 2019.

#### 7.6.3.4. Minimising Usage of Raw Materials

CKI aims to use less raw materials and allow full utilisation of the by-products generated in business operations.

In Hong Kong, Anderson Asphalt continued reducing asphalt material wastage by selling milled asphalt to subcontractors for material reuse and recycling and by conforming to ISO 14001: 2015 requirements.

HK Electric has been collecting its generation by-products such as ash and gypsum produced for beneficial industrial use, such as manufacturing of cement. In 2019, about 230,000 tonnes of ash and 70,000 tonnes of gypsum were collected for reuse by third parties.

Over 1,000,000 tonnes of industrial waste materials, such as by-products from coal-fired power generation and slag from copper smelter, have been recycled as raw materials in the Infrastructure division's cement manufacturing plants in Hong Kong and Mainland China. In 2019, the use of recycled materials exceeded 60% in the cement production in Hong Kong.

Due to the agreement in the Green Deal for bottom ash from Energy-from-Waste plants that, 100% of the granules must be used as "freely applicable building material" instead of being treated as an Isolation, Control, Maintenance ("ICM") material in 2020. AVR, together with specialised partners, has been working towards the objective: In 2019, over 50% of the minerals acquired from the bottom ash were freely applied without ICM.

In the UK, Northumbrian Water reused materials excavated from the ground during hole-digging operations as back fill, which substantially reduced the use of new virgin backfill material compared with past years.

Northern Gas Networks in the UK established a programme to inform and advise employees and contractors on the usage of recycled aggregates rather than virgin aggregates. The usage of virgin aggregates was set as a KPI and recorded regularly. During the past five years, there recorded a decrease by 78% in the annual usage of virgin aggregates and 6.1% of the virgin aggregate was used in reinstatement works in 2019.



### 7.6.3.5. Protecting Biodiversity and Habitats

CKI aims to minimise the impact and damage to biodiversity and habitats in its projects.

For any new project, Southern Water conducted a detailed ecological survey to assess wildlife living in the area with emphasis on sensitive or protected species. Northumbrian Water supports the Kielder Osprey Project, which saw a record return of Osprey to Northumberland in 2019. The species was recolonised in 2009.

Canadian Midstream Assets implemented a leading-edge spill response programme and developed a right of way environmental monitoring programme to maintain reclamation of linear developments without affecting land use and natural habitats. Rigorous soil, air, and groundwater monitoring programme were conducted at Midstream facilities to protect vital air and watersheds for future generations. To maintain healthy and functioning ecosystems, the company would identify wildlife and culturally sensitive areas and take actions during the planning period. Construction activities were scheduled to reduce risk of disturbance to wildlife during sensitive periods. To continuously support ecological functions and land use, procedures for lands reclamation after use included addressing potential contamination, re-contouring sites, replacing soil layers and re-establishing appropriate vegetation.

Northern Gas Networks in the UK completed 12 land remediation projects, with a further four projects to be completed by 2021.

### 7.6.4. Looking Forward

Subsidiaries of the Infrastructure division have set various targets and implementation plans regarding different topics of environmental management. Below are some examples demonstrating their determination in making their business operations environmentally-friendlier and building a green future for all the lives.

#### Air Emissions

- UKPN- decrease NOx emissions from fleet and generators by 33% by 2030.

#### GHG Emissions

- Wales & West Utilities - reduce GHG emissions by 10% over current price-control period from 2013 to 2021.
- ista - help customers/users reduce their GHG emissions by 10% by 2030 with a base year of 2010.

- UKPN - reduce GHG emissions by 20% by 2021.
- AVR - reduce GHG emissions by 55% by 2030 and achieve a reduction to 0 in 2050.

#### Energy Consumption

- ista - reduce annual energy consumption in Germany by 6.5% from 2016 to the end of 2020, and achieve a continuous improvement in energy efficiency of 1.3% on an annual average.
- UKPN - reduce energy use in top six buildings by 10% by 2021.

#### Water Usage and Pollution

- UKPN - reduce water consumption by 10-15% in top six buildings by 2021.

#### Waste Disposal

- UKPN - divert more than 90% of the waste from landfill and recycle more than 80% of waste from top six sites by 2021.

#### Biodiversity Protection

- UKPN - increase biodiversity value by up to 30% at 100 of its sites to actively contribute towards minimising species decline and promoting net-gain by 2021.
- Wales & West Utilities - achieve no net loss on designated projects between 2021 and 2026 and biodiversity net gain across by 2039.

# ENERGY



At the Energy division, represented by Husky Energy, sustainable business is one that ensures the safety of its people and communities while delivering value for customers and shareholders. Husky responsibly produces the energy the world needs. Whether it is delivering energy to millions of customers each day, improving occupational and process safety or addressing climate change, Husky aims to make a positive contribution to society.

## Key Sustainability Achievements in 2019

- ESG team of more than 60 members for sustainability and regulatory compliance.
- Reduced 45% methane emissions since 2014.
- 62,000 tonnes of carbon emissions captured in 2019.
- 542,640 trees planted post asset retirement.
- 55% increase in indigenous procurement since 2016.

## Key Sustainability Initiatives in 2020

- Work towards "Top Q in 2020" (Top quartile based on global benchmarks).
- Reduce methane emissions through the conversion of pneumatic devices, gas conservation and incineration technology in support of the Canadian government's objective of a 30% carbon reduction by 2030.



Read more on  
Husky Energy's  
corporate website



**4,802**  
EMPLOYEES  
(31 December 2019)



**290,000**  
BOE/DAY

## 8.1. Sustainability Governance

Husky's sustainability governance is organised and centred around the top sustainability issues including safety and operational integrity, climate change, and relationships with local communities.

The authority for overall management of the sustainability strategy lies with the President and Chief Executive Officer, who is also an executive director. Husky's ESG Steering Committee, comprising 10 members, guides the sustainability strategy and activities of the company. The members are those who are delegated authority for management and responsible for performance on the priority topics. In November 2019 the Board discussed sustainability performance and disclosure. For 2020, sustainability is a standing agenda item for the Governance Committee at its three meetings a year. The Board intends to set an emissions target in 2020.

Husky's sustainability strategy is integrated with the company's business plans and risk matrix, and aligns with the Husky Operational Integrity Management System. The Audit Committee of the Board reviews Husky's risk register quarterly.

Husky's sustainability strategy and performance is assessed by other Executive Committees as appropriate. For example, the Executive Health, Safety and Environment Committee has oversight for the topics including safety and operations integrity, water use and availability, climate-related risks and air emissions and land use and reclamation.

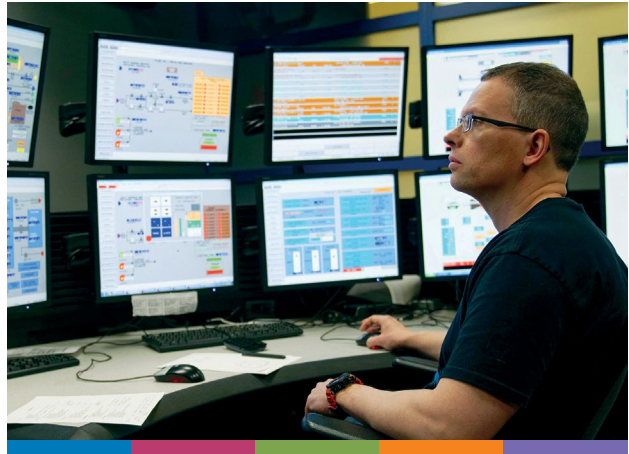
## 8.2. Anti-Corruption

### 8.2.1. Commitment

Husky strictly prohibits any form of bribery, corruption and fraud. It adheres to regulations around lobbying in the jurisdictions where it operates, and report all lobbying activities as required. Husky observes and respects all laws concerning political donations and it does not provide donations for municipal elections, leadership contests, individual candidates or riding/constituency associations. They do not reimburse personnel for individual political donations.

### 8.2.2. The Challenges

Bribery and corruption is an important topic for the industry. As a highly complicated and large scale industry involving complex and large contracts, with many stakeholders, there is a potential risk of bribery and corruption in certain parts of the world.



In the process of increasing production, more connection and communication with local communities on the use of land for exploration activities are required, and expose employees or stakeholders to the risk of bribery and corruption. However, in mature markets, such as those that Husky operates in, and strong industry culture add an additional barrier to bribery and corruption.

### 8.2.3. Initiatives

#### 8.2.3.1. Reporting Mechanisms

The Energy division aims to provide a confidential and open platform for employees, contractors and stakeholders to report any perceived breaches of the Code of Business Conduct which may lead to bribery and corruption.

There is a confidential and anonymous Ethics Help Line where employees, contractors and other stakeholders can report perceived breaches of the Code of Business Conduct. The Ethics Help Line is managed by EthicsPoint, an independent third-party service provider. Reports can be made through an online form or by calling a toll-free phone line available in each country where Husky operates, including English and French options in Canada.

Those making a report can choose to provide information anonymously. Information provided is submitted to the Ethics Help Line Committee, which includes representatives from the legal, audit, security, health, safety, environment and human resources departments. Perceived breaches of the Code of Business Conduct reported through other channels are recorded with those received via EthicsPoint. If it is determined a report requires further investigation, a formal review will be launched.





**Note:**

It is calculated based on the number of employees mandated to receive training during 2018, divided by the total number of employees as at 31 December 2018.

#### 8.2.4. Looking Forward

On 25 April 2019, the Board of Directors of Husky approved a general update of the Code of Business conduct. This update included amendments to the section on accepting hospitality, promotional offerings and other business courtesies to align with, and reflect changes to, Husky's Anti-Bribery and Anti-Corruption Policy. This included updating the definition of "things of value" and the rules regarding to the acceptance or the giving of bona fide hospitality, promotional offerings and other business courtesies. Husky will continue to identify areas for improvement to strengthen the Anti-Bribery and Anti-Corruption Policy and actively amend the policies appropriately.

The Ethics Help Line received 107 reports in 2019, a significant increase from 39 reports in 2018. Looking forward, the company aims to conduct investigations and understand the root-cause of each report and look for areas of improvement and prevent reoccurrences.

For more information, please refer to the Code of Business Conduct

### 8.3. Occupational Health and Safety

#### 8.3.1. Commitment

Safety remains the top priority of Husky, and the ultimate goal is that no one is injured on the job. To maintain safe and reliable operations, rigorous safety programmes are in place with ongoing improvements to the occupational safety processes to strengthen the safety culture.

Husky is committed to:

- Promoting a safety culture through systems, processes and continued learning to prevent employee and contractor injuries and illnesses.



- Designing, maintaining and operating facilities and assets focused on process safety and asset integrity to realise strong operational performance.
- Preparing, planning and practising to respond effectively to incidents with worker and community safety and environmental protection as priorities.

#### 8.3.2. The Challenges

Husky's business includes exploration, development and production of oil and gas, and refining of petroleum products. Given the nature of its business, employees are facing numerous occupational hazard risks while performing their jobs. To operate safely and minimise risks to employees, Husky upholds high safety standards, and ingrains safety in its culture and every decision through systems, processes and continued learning.

#### 8.3.3. Initiatives

##### 8.3.3.1. Making Structural Changes to Promote Safety

The Energy division is committed to process safety and operational integrity.

In 2018, a Senior Vice President, Safety & Operations Integrity was hired and reports directly to the CEO. He is not only responsible for process and occupational safety, operations integrity and emergency response, but also for promoting Husky's High Reliability Organization ("HRO") culture.

Safety is ingrained in Husky's culture and part of every decision through its HRO principles, systems and processes, and through continued learning. Husky's facilities and assets are designed, maintained and operated with a primary focus on process safety and asset integrity to realise safe, reliable operational performance. In the event of an incident, worker and community safety and environmental protection are the priorities. Husky's safety performance is directly

linked to both executive compensation and the employee bonus programme.

### 8.3.3.2. Enhancing Training

Husky aims to provide specific actions for workers to follow and make it easier to identify situations that, if not properly managed, may lead to hazardous conditions. To continuously drive better performance, employees and contractors are provided with ongoing training in safety processes and procedures.

Life-Saving Rules of the International Oil and Gas Producers, which focused on activities most likely to lead to fatalities or significant life-altering injuries, were employed to enhance existing training. In 2018, Husky moved from 18 rules to nine, aligning with a simplified, standardised, industry-wide approach that empowers employees and contractors to stop work when it is unsafe.

The Energy division aims to guarantee safe driving behaviours and reinforce such commitment to the Life-Saving Rules.

Drivers are offered mandatory driver training and vehicle monitoring devices, and also with reports on their speed, seatbelt use and driving practices. The Drive Safe programme provides real-time support and coaching on safe driving behaviours. In 2019, there were 14 motor vehicle accidents involving employees and contractors, compared to nine of the previous year with more kilometres travelled by Husky's fleet in 2019.

## 8.4. Community & Indigenous Peoples' Engagement

### 8.4.1. Commitment

With many operations located near Indigenous communities, Husky aims to work with Indigenous communities with respect, trust and transparency. Through different policies and initiatives, the company seeks to build strong, mutually beneficial relationships with Indigenous communities and support their development.

### 8.4.2 The Challenges

The development of energy production projects in Canada often happen in the traditional territory of Indigenous people. Husky seeks to achieve Free, Prior and Informed Consent ("FPIC"), as set out in its Indigenous Relations Policy, through the process of meaningful engagement and consultation, in advance of project decisions and before impacts occur, and with appropriate information on development plans.



### 8.4.3. Initiatives

#### 8.4.3.1. Effective Communication

Maintaining effective and transparent communication is the key to promoting mutual trust between Indigenous communities and Husky. Therefore, a dedicated Indigenous & Community Relations team was established to engage Indigenous communities. The team provides internal advice and relationship support to various departments, ensuring consistency and regulatory compliance of the engagement approach.

Through consultations with the communities, Husky responds to the needs and capacity of the community, which may result in formal agreements, such as a Memorandum of Understanding, to a simple shared understanding of the community engagement processes Husky uses. To further enhance the communication with Indigenous communities, Husky also joined a delegation of Indigenous leaders to meet with federal leaders and the Senate to discuss the benefits of pipeline access for its Alberta production.

#### 8.4.3.2. Fostering Economic Development

Economic inclusion is the key to fostering economic development of the Indigenous communities. Husky focuses on building Indigenous businesses' capacity by establishing competitiveness and developing entrepreneurs among them. Indigenous suppliers are added into the supply chain and Indigenous economic inclusion is fully considered in bid evaluations through the inclusion of language in the terms.



**0.11** in 2018  
Lost Time Injury Rate  
(per 200,000 exposure hours)





#### 8.4.3.3. Education Promotion

Academic options can lead to additional career choices, positively affecting Indigenous students and their communities. Through funding, scholarships, mentoring, summer employment and apprenticeship positions resulting in potential career opportunities, Husky supports long-term academic success for Indigenous students. Every year, Husky offers scholarships to Indigenous students living in communities near its operations pursue post-secondary education. The scholarships are awarded by considering the actual financial needs of the students, academic merit, community and cultural involvement, and work experience. Additional peer support is available through Husky's Indigenous Community Sharing Circle. Besides scholarships, Husky also sponsor Indigenous community schools by providing computers, laptops and printers to support their teaching needs.

Since 1984, Husky has been providing bursaries to Indigenous students pursuing high school upgrading or post-secondary education related to the oil and natural gas sector. Through this contribution, Husky encourages advanced education among Indigenous students and allow them to make improved career choices.

#### 8.4.3.4. Developing Indigenous Leadership

Strong communities depend on strong leadership. To support future Indigenous leaders, different leadership programmes and training are offered to equip them with the necessary skills for their future endeavours.

Husky is currently a sponsor of the Banff Centre for Arts and Creativity, which provide Indigenous leaders with programmes supporting the development, planning and strategic implementation of their vision for their community. The programme covers negotiation skills, how to set strategic direction, measure performance and establish economic ventures. The sponsorship helps leaders in the communities to access these programmes, providing support for tuition, meals and accommodations.

#### 8.4.3.5. Community Involvement

In order to be a good neighbour of the community, it is important for the company to move beyond day-to-day business and become involved in communities by supporting different community wellness initiatives. By encouraging the sharing of cultures, mutual understanding and respect are promoted within the community. Husky's management and employees are encouraged to participate and support different community events.

### 8.5. GHG Emissions

#### 8.5.1. Commitment

Husky commits to maintaining ongoing management and governance of climate-related risks, with the goal of reducing GHG emissions and other air pollutants through the development and application of new technology and energy efficiency measures.

#### 8.5.2. The Challenges

While energy production is essential to the wellbeing and prosperity of human society, the science is clear that the world needs urgent action to reduce GHG emissions and avoid the worst effects of climate change. As an oil and gas producer, the challenge is to deliver affordable energy to support economic development while reducing carbon emissions.

#### 8.5.3. Initiatives

##### 8.5.3.1. Improving Energy Use Efficiency in Production

To improve the efficiency of the energy operations, Husky has been exploring for the most effective way to use energy. Over the last five years, using a new reservoir operating strategy, the steam-to-oil ratio at the Tucker Thermal Project reduced by about 35%. Using less steam lowers energy use which reduces both operating costs and air emissions, including GHGs.

##### 8.5.3.2. Reducing Fugitive Emissions in Production

Fugitive emissions, including methane and volatile organic compounds (VOCs), are gas and vapour leaks from valves, piping connections, pumps and compressor seals, and other piping system components which occur as part of the normal operation of a facility or plant. Husky's Fugitive Emissions Management Programme detects and ensures the timely repair of leaking equipment to reduce emissions, improving operational efficiency and minimising the release of GHG and VOCs.

Several techniques are used to detect leaking components, including highly specialised infrared cameras that provide a view of normally inaccessible



locations such as tank seals and overhead piping from a distance, and ultrasonic detection, which identifies leaking components using sound. All survey results are tracked by using a third-party database, creating an effective survey, repair and tracking system for managing component leakage.

In 2019, Husky's Canadian upstream and midstream facilities followed the Canadian Association of Petroleum Producers Best Management Practice for Fugitive Emissions, conducting surveys quarterly at all large gathering and processing facilities and at least once a year at others. For downstream facilities, improvements in the ongoing Leak Detection and Repair monitoring have resulted in a leak rate of 0.12% for Canadian downstream facilities.

#### 8.5.3.3. Renewable and Low Carbon Production

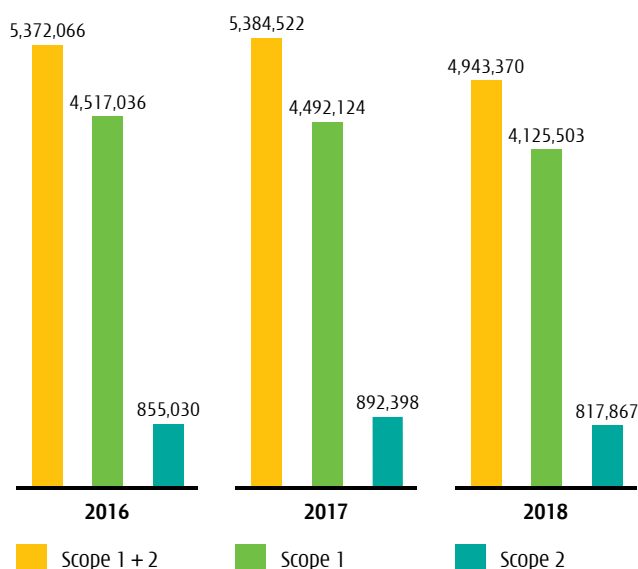
Renewable energy is a growing part of the energy mix and Husky is currently Western Canada's largest manufacturer and marketer of fuel-grade ethanol. Besides engaging in the production of renewable energy, the company also assesses opportunities to use low carbon production technologies where it makes economic and operational sense.

In order to reduce the carbon intensity of upstream and downstream operations, Husky evaluates the effectiveness and cost of various potential reduction options with the help of a Marginal Abatement Cost Curve, allowing the prioritisation of resources to achieve reductions at the most efficient cost per tonne of carbon dioxide equivalent (CO<sub>2</sub>e).

Through carbon capture technologies, carbon is recycled for enhanced oil recovery which involves carbon being injected into reservoirs to increase oil production. Husky's Lloydminster plant can capture up to 250 tonnes a day of carbon dioxide to aid in enhanced oil recovery, allowing the production of some of the lowest carbon intensity ethanol in Canada. From 2012 to 2019, 531,000 tonnes of carbon were captured at the Lloydminster Ethanol Plant.

There are also other pilot carbon capture programmes in place, such as the Pikes Peak South thermal project where the technology of capturing CO<sub>2</sub> from a once-through steam generator is being tested. One pilot underway since 2015 is capturing up to 30 tonnes per day and in 2019 a 30 tonne per day system was commissioned.

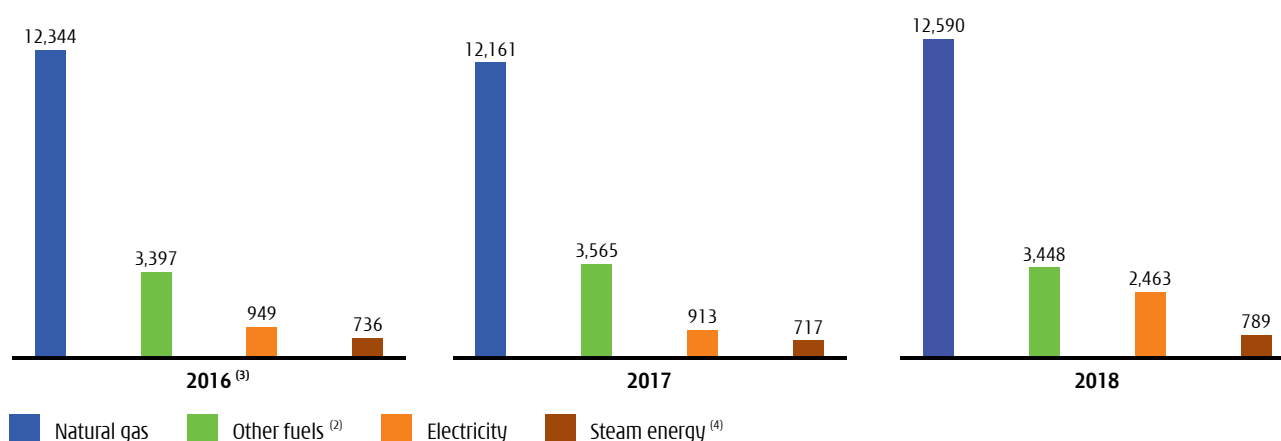
### GHG Scope 1 and 2 Emissions in Energy division <sup>(1)</sup> (tCO<sub>2</sub>e)



Note:

- (1) Figures for Husky, a material associated company of the Group, are prorated based on the percentage equity stake held by CKHH. The 2018 data are the latest data available for the report and 2019 data will be published on Husky's corporate website at [www.huskyenergy.ca](http://www.huskyenergy.ca) at a later date.
- (2) Other fuels include refinery fuel gas, etc.
- (3) The 2016 figures were restated mainly due to the re-categorisation of fuel type.
- (4) Data boundary of energy use has expanded to include steam energy this year. The 2016 and 2017 figures are included for comparison purpose.

### Energy Consumption in Energy Division <sup>(1)</sup> (GWh)



#### 8.5.3.4. Recognising and Managing Climate Change Risks

Husky recognises the social, environmental and economic risks posed by climate change. In response to this, such risks are built into the Enterprise Risk Management process to manage the inherent risks and opportunities brought by a lower global emissions pathway. Also incorporated into the process is the carbon-related costs based on the current and emerging policies in the jurisdictions where operations are located, and allows a better understanding of the resilience of the existing and proposed assets to changes in carbon policy and regulation.

More information on Husky's carbon management approach and metrics are detailed in Husky's annual submissions to the CDP Climate Change Programme, which are posted on [www.huskyenergy.ca](http://www.huskyenergy.ca).

## 8.6. Land Use and Reclamation

### 8.6.1. Commitment

Husky strives to minimise disturbance and remediate and restore the land when operations are complete. Before any projects or operations, Husky carries out a risk assessment to identify any potential impacts to ensure these risks can be avoided, minimised or mitigated.



### 8.6.2. The Challenges

To responsibly produce energy the world requires, the use of land is essential in Husky's business. Land reclamation has also been an actively discussed topic globally as it is often perceived to disrupt habitats, biodiversity and the ecosystem.

As a responsible corporation caring for the community and environment, Husky has a Corporate Biophysical Standard which outlines how it manages and conserves biodiversity, including sensitive species and habitats, invasive species and avoiding human-wildlife conflict.

### 8.6.3. Initiatives

#### 8.6.3.1. Wildlife Monitoring

Husky monitors wildlife activities to design suitable impact mitigation programmes in accordance with regulations from project planning to closing stage.

Husky has used enhanced regional monitoring programmes where biodiversity is particularly sensitive, observing trends by tracking the presence and movement of animals using wildlife cameras and winter tracking studies, point counts and breeding bird surveys to provide long term trending data. In the Atlantic region, as part of its Environmental Assessment commitment, seabird observations is conducted three times a day.

It continues to monitor habitat during operations and manages surface water through the use of containment

systems to prevent soil erosion and help prevent water quality impacts.

Through scientific research and collaboration with institutions, the Energy division increased understanding towards habitat and biodiversity while making an effort to minimise disruption of its operations to the environment.

It has funded and/or participated in regional initiatives and industry committees that contribute directly or indirectly to species and habitat research, monitoring and mitigation, consistent with recognised priorities and regulations.

It supports initiatives that help to improve the understanding of biodiversity conditions in its area of operations.

In the Atlantic region, it has worked with the Department of Fisheries and Oceans and the Atlantic Salmon Federation to deploy receivers at its White Rose field to track the migratory routes of salmon.

#### 8.6.3.2. Area-based Closure Asset Retirement

To ensure asset retirement activities are efficient and cost effective, the division has adopted the Area-Based Closure ("ABC") programme with the support of the Alberta Energy Regulator to work with its peers to assist with better management of inactive sites liability for all of the industry.



The programme exceeds regulatory requirements for abandonment, remediation and reclamation of inactive sites.

The ABC approach includes:

- Well abandonment
- Facility decommissioning
- Pipeline abandonment
- Site remediation and reclamation

In contrast to the historic approach, the efficiency and concentrated efforts within the ABC programme allow Husky to complete more asset retirement activities. It tracks its progress against the plan, key progress updates, milestone achievements, major risks and mitigation measures and significant regulatory changes that may impact the business. Its annual spending includes onshore and offshore asset retirement activities.

#### 8.6.3.3. Restoring Habitat

The Energy division restores the natural habitat in the areas it has completed its operations. Upon removal of all surface infrastructure, it starts remediation and reclamation activities to return disturbed lands to a capability equivalent to that prior to development. Husky's tree planting programme has planted 542,640 trees on 247 sites in 2019, using species native to the area to re-establish similar land capability, including white and black spruce, lodge pole and jack pine, larch, poplar, dogwood and willow. Approximately 80,000 trees were cleared for new development in 2019.

# TELECOMMUNICATIONS



The Telecommunications division plays an important role in connecting over 100 million people across 12 markets to their personal and business networks. The division is committed to contributing to sustainable living by providing connectivity and innovative services to customers, while building the trust of stakeholders by behaving ethically and responsibly.



## Key Sustainability Achievements in 2019

- Formed a Climate Working Group for CKHGT.
- Committed to CDP disclosure for CKHGT.
- **3** UK won UK's Best Network for Data as voted by the Mobile Choice Consumer Awards and was named Best Network for Roaming at the uSwitch Mobile Awards 2020.
- The division's business in Europe adopted to a new control system to address the new requirement of General Data Protection Regulation ("GDPR").
- Green electricity accounted for about 80% of Hi3G Access AB's total electricity consumption.

## Key Sustainability Initiatives in 2020

- Disclose climate impact for the first time via the CDP reporting mechanism.
- Set emissions target for CKHGT that is consistent with the methodology and ambition of the mobile sector pathway in alignment with the GSMA.
- Review energy mix.



Read more on  
CK Hutchison Group Telecom's  
corporate website



 **> 100 Million**  
CUSTOMERS

 **> 7,000 Petabytes**  
OF DATA USED

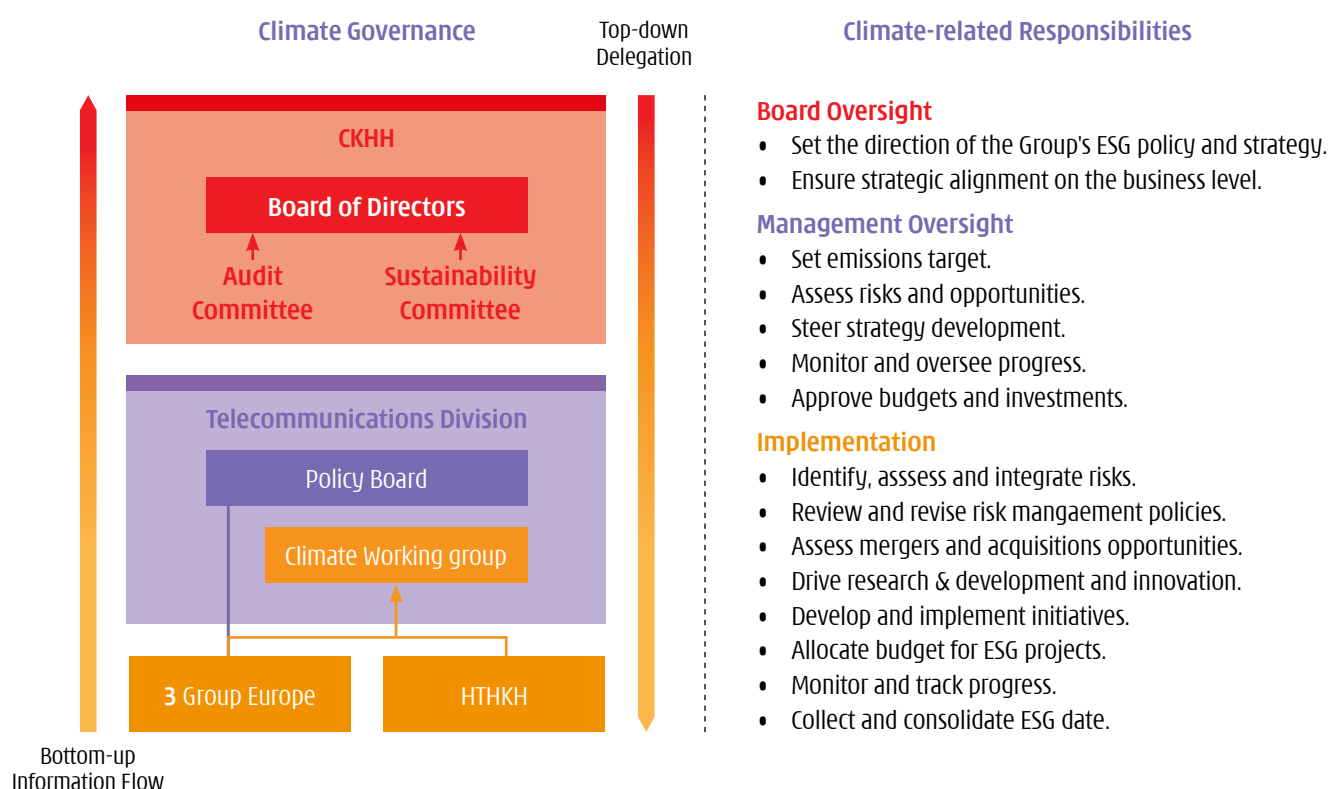


## 9.1. Sustainability Governance

Formed in 2019, CK Hutchison Group Telecom Holdings Limited ("CKHGT") comprises the telecom business units in Austria, Denmark, Ireland, Italy, Sweden, and the UK (under 3 Group Europe) and in Hong Kong and Macau (under Hutchison Telecommunications Hong Kong Holdings ("HTHKH")). One of CKHGT's first key initiatives was to establish a Climate Working Group to drive and accelerate climate-related mitigation and adaptation across network infrastructure, better facilitate climate and environmental sharing between business units, and establish an emission reduction target.

The Climate Working Group, which consists of representatives from 3 Group Europe and HTHKH, reports directly to the Policy Board of CKHGT which includes the CEOs of 3 Group Europe and HTHKH.

The Policy Board of CKHGT is responsible for overseeing and steering the Climate Working Group. Climate-specific responsibilities have been assigned to the CEOs on the Policy Board. At the business unit-level, climate-related responsibilities have also been identified for 3 Group Europe and HTHKH.



## 9.2. Product Responsibility (Building Trust through Reliability and Quality)

### 9.2.1. Commitment

As a leading global operator of telecommunications and data services, the Telecommunications division endeavours to create a better everyday life and deliver sustainable value to its customers through providing reliable, safe and high-quality products and network services.

### 9.2.2. The Challenges

The Telecommunications division serves approximately 100 million customers. The telecommunications industry

is rapidly changing and companies have to build trust and meet the customers' rapidly growing demand for faster speeds and wider coverage. Maintaining customers trust and loyalty, however, is not merely about providing the latest handsets and digital devices, but also to provide customers with flexibility and choices in their services so that they can better communicate and enrich the way they live and work.

### 9.2.3. Initiatives

#### 9.2.3.1. Broad and Easy Choices for Quality Products and Services

The Telecommunications division aims to enrich their



customer's lifestyle through digital connectivity. As a pioneer of mobile data telephony, the Group's telecom business units ushered in a new age of connectivity early this century.

For example, **3 UK** carries more data than any other UK network. Its customers use 3.5x more data than the average Brit. The range of great data plans and reliable network enabled the company to beat its competitors. In 2019, **3 UK** won UK's Best Network for Data as voted by the Mobile Choice Consumer Awards and was named Best Network for Roaming at the uSwitch Mobile Awards 2020.

**3 UK's** network reach covering more than 99% of the population and availability of core network maintained at over 99%.

In 2019, mobile customers in Europe used over 4,054 petabytes of data, a 35% increase from the previous year and with 5G beginning to be rolled out in several countries and faster speed devices being launched, data usage is expected to continue to increase. To deal with the anticipated demand, the network teams are already planning the development several years ahead.

While the general public have quickly adopted these new technologies, the telecom business units are also helping bridge the digital divide by providing

data plans, digital devices as well as training to disadvantaged community groups.

#### 9.2.3.2. Employee Training on Customer Services

The Telecommunications division aims to improve the skills and professionalism of customer services personnel.

A considerable increase in the e-Learning channel's usage was recorded by Wind Tre, with training hours exceeding 15,000 for Customer Care personnel.

**3 Denmark** launched a behavioural campaign named "As on a first date" towards customer service and store staff. Employees were trained to follow four directions of "Be Obvious", "Be Curious", "Do You Worry" and "Follow to the Door" during their conversations with customers to offer them the best possible experience in these channels.

#### 9.2.3.3. Customer Engagement

Increasing interaction and engagement with customers is important to improve brand loyalty as well as to identify areas of improvement for the long term sustainability of the company.

Various workshops and events were held to collect and act on customers' feedbacks with due care and in a timely manner. Social media and other platforms are



also used to obtain feedback and to troubleshoot issues in their early stages.

In addition to focus groups, many business units also held large-scale events to promote creativity and camaraderie. For example, in 2019, **3** Indonesia led a massive and countrywide multiple university programme known as Bima Day, to encourage millennials to create, perform and sign up with films, dance music and e-sports. Over 12,000 people from 25 universities participated.

#### 9.2.3.4. Development and Dissemination of Parenting Guide

The Telecommunications division aims to strengthen parents' knowledge and better enable them to take responsibility for and support their children in using social media, online games and other digital services in a safe and secure way.

Together with industry partners and the Media Council for Children and Adolescents, **3** Denmark continued to contribute to the development and dissemination of a parenting guide which was released back in 2015. The guide targets parents of 7-12 year old children and offers knowledge, advice and recommendations on children's lives, play and learning with the Internet, social media and games. For more information, please refer to the [Parenting Guide](#).

Later, an updated version was relaunched, which not only acquaints parents with the rights their children have in relation to the Personal Data Regulation, but also sheds light on new terms and concepts that fill in children's everyday lives. In March 2019, a supplementary materials were further published, making it easier for parents to strengthen dialogue between home and school in relation to the digital well-being and culture in the classroom.

## 9.3. Data Privacy

### 9.3.1. Commitment

The protection of personal data is fundamental to preserving the trust of customers and employees. The division is committed to safeguarding and protecting the personal data of its customers and employees. Employees must only collect and use personal data in accordance with applicable data protection laws, as well as the Group's policy on Personal Data Governance and local policies and procedures of the Telecommunications division.



### 9.3.2. The Challenges

In the telecommunications industry, data privacy and protection is a key issue due to the regulatory obligations and the increasing customer concern on how their personal data are used, in the context of an extremely dynamic environment in which its business model and related technologies are changing constantly.

Each business unit handles an immense amount of customer information in varied systems and platforms. Any significant loss of data would entail considerable risk for the Telecommunications division in terms of customer concern, reputational damage and economic loss. Therefore, the division's management is directly responsible for managing and protecting customers' personal and non-personal data.

### 9.3.3. Initiatives

#### 9.3.3.1. Enhancement of Data Privacy Policies and Control Systems

The Telecommunications division's policies on data privacy and security are primarily designed according to relevant regulatory requirements. Also, a Privacy Notice was developed and made available on the business units' websites or included in the sales agreement to clearly state the type of personal data processed and rights of customers.

In addition, the division's business in Europe has been adopting a new control system to strengthen governance, risk management and compliance to minimize the risk of data privacy breach.

For example, Wind Tre has adopted a Governance, Risk Management and Compliance system (eGRC) that allows it to monitor the entire data processing chain, as well as to analytically assess the level of compliance of each system involved. In consideration of the provisions



of the General Data Protection Regulation, new analysis and verification processes were developed (e.g. Privacy by Design and by Default) in 2018 and have been implemented on a company-wide scale. As a response to securing data and supporting customer needs, a privacy and customer protection unit, information security unit and corporate security governance unit are established to handle data privacy related matters.

3 Denmark and 3 Sweden have adopted a new central data protection system, introduced new governance controls, conducted processing mappings and increased the information flow about personal data processing to customers through direct channels.

In other business units, they have also amended their policies and strengthened controls to ensure compliance with relevant data privacy laws. Customers are also able to exercise their rights to access and correct any personal data which they have provided via multiple application channels.

#### 9.3.3.2. Data Privacy Training and Campaign

Employees handle customers and company data on a daily basis. To ensure employees understand relevant data privacy laws, the division provides related trainings regularly.

Every business unit has regular internal communications and workshops for customer-facing employees to reinforce the importance of customer data protection and to ensure employees stay up-to-date with the latest requirements and development of the relevant rules and regulations. Similar trainings were also provided to subcontracting staff who handle customer personal data.

The division also uploads its data privacy related operational guidelines, handbooks and procedures to the intranet or dedicated website for easy access by employees.

#### 9.3.3.3. Incident Management

When a Data Security Incident ("DSI") occurs which involves personal data, the division aims to mitigate the potential consequences and to secure personal data from further unauthorised access, use or damage as quickly as possible.

The division responds rapidly and in accordance with applicable DSI procedures, which may include notifying the Privacy Authorities and/or affected individuals if required. In the event of a DSI involving personal data, the Legal Department is alerted immediately. Further guidance on notification and handling of DSI is issued from time to time.





## 9.4 Labour Management

### 9.4.1. Commitment

The Telecommunications division aims to create customer experiences that moves and connects people. To achieve that, the division must first create a better-connected life for employees, and be committed to treat people with dignity and respect and offer equal opportunities to all members of the society.

### 9.4.2 The Challenges

The telecommunications industry is a traditionally male-dominated industry. According to Global Gender Gap Report 2020 issued by World Economic Forum, the gender disparity is alarming for science, technology, engineering and mathematics ("STEM") careers, in which less than 25 % of workers in Data and AI, Engineering and Cloud Computing roles are female. To fulfil the division's aspirations, a focus is on increasing women's participation in the workforce and helping more women advance into leadership roles and develop in-demand skills.

### 9.4.3. Initiatives

#### 9.4.3.1. Instilling Gender Parity to Ensure Equal Representation of Women in the Workplace

3 Denmark and 3 Sweden have set clear targets to increase the percentage of managerial roles and the

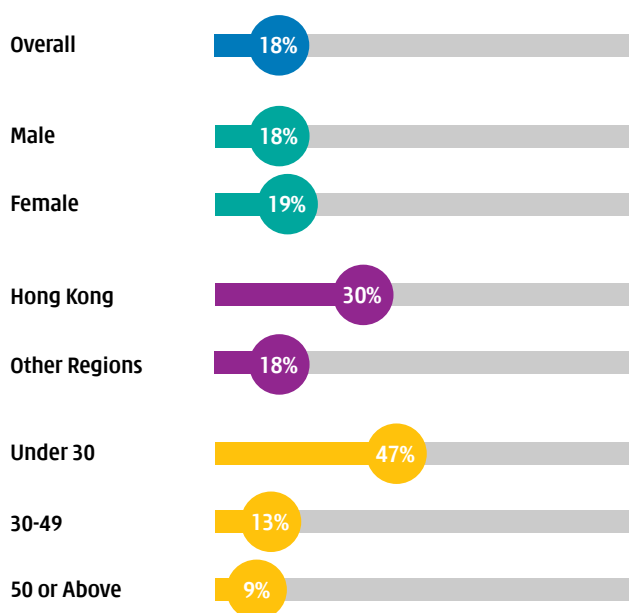
total staff positions occupied by women and have been tracking progress towards closing these gaps over time. Also, they have launched programmes and initiatives to support female managers.

3 Denmark has set itself a target of having at least two female directors by 2020, underlining the leadership shift making the company more inclusive. As at 31 December 2019, the board consisted of one woman and six men.

3 Denmark has undertaken a number of initiatives to identify and develop talent in women, which has gradually allowed the company to increase the presence of women in its workforce and in management positions.

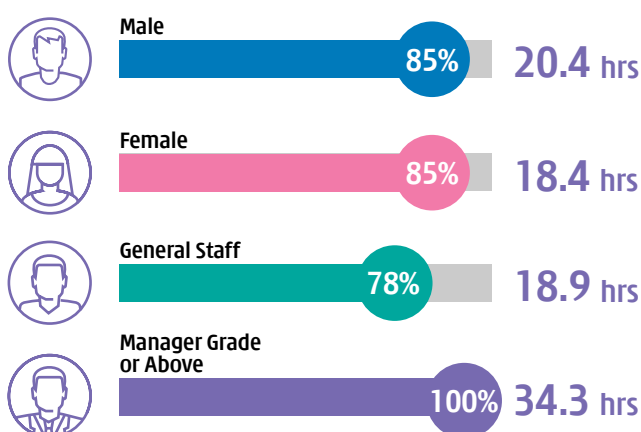
Wind Tre has participated in the European "Deploy Your talents - Stepping up the STEM agenda for Europe" campaign, which ambitiously aims to revamp the technical and scientific fields of study and to overcome their gender stereotypes, by building partnerships between schools and businesses.

### Employee Turnover of Telecommunications Division



Note:  
Turnover rate refers to full-time employees only, which is calculated based on the employee departure during the year, divided by the average total number of employees as at 31 December 2019.

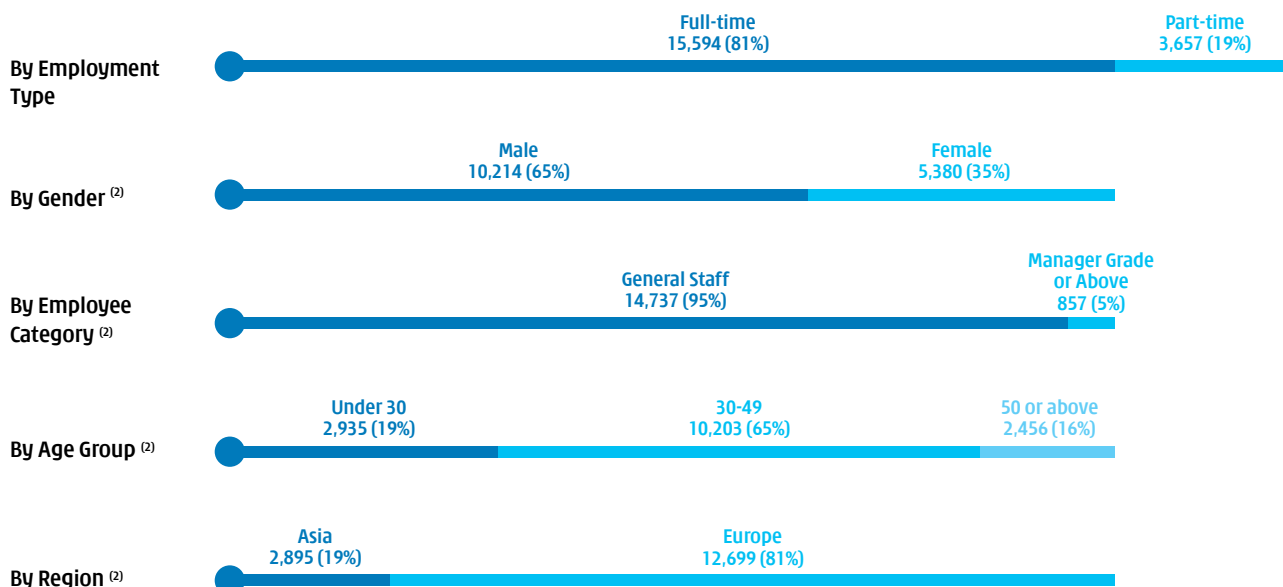
### Percentage of employees of Telecommunications Division who received training <sup>(1)</sup> and average hours of training per employee by gender and by employee category <sup>(1)(2)</sup>



Note:

- (1) Percentage of employees who received trainings covers those who are currently employed and left over the 12-month period.
- (2) The average hour of training is based on the total number of employees in respective categories as at 31 December 2019.

## Employee Profile of Telecommunications Division <sup>(1)</sup>



Note:

(1) Figures are as at 31 December 2019.

(2) It covers full-time employees only.

## 9.5. GHG Emissions and Circular Economy

### 9.5.1. Commitment

Managing climate-related issues is among the important concerns of many stakeholders. While reducing CO<sub>2</sub> emissions remain one of its top priorities, the division also seeks to equip itself to be more resilient to climate risks and reduce embodied carbon throughout its supply chain.

### 9.5.2. The Challenges

Climate change is a global challenge that has already caused impacts on communities and disruptions to businesses. Such climate-related impact presents both risks and opportunities to its assets and businesses.

The division's operating activities are based on the use of network infrastructures, which require a continuous power supply, the growing number of connected devices and data transmitted will increase energy consumption, thereby making it difficult to reduce carbon footprint.

### 9.5.3 Initiatives

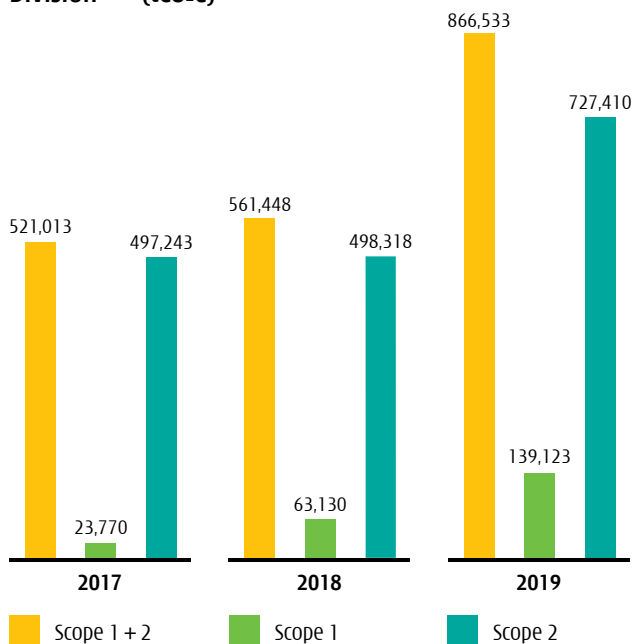
#### 9.5.3.1. Energy Efficiency Improvements for Network Infrastructure

With the majority of the division's energy consumption coming from network infrastructure, energy efficiency is key to GHG emissions management. The division is actively upgrading its network equipment and installing energy saving features to reduce energy usage.

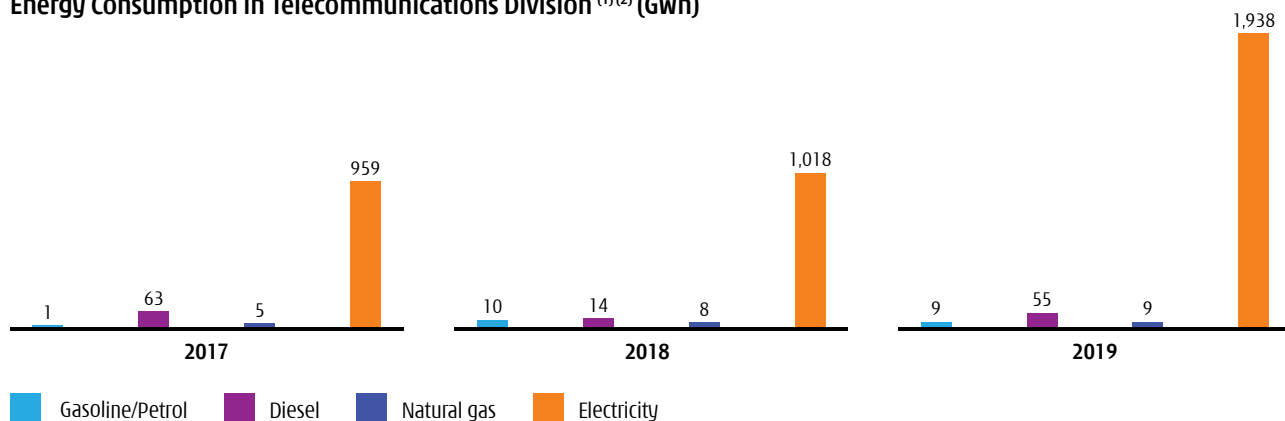
Wind Tre has been modernising its entire network in order to guarantee that it would be capable of supporting services of the latest generation, while at the same time ensuring high energy efficiency standards. Under the scheme, existing network equipment are being replaced with the latest generation models, cooling infrastructures migrate towards outdoor configurations with lower cooling energy requirements, and the technological sites are consolidated to reduce the direct and indirect energy consumption. Thanks to the energy efficiency interventions, Wind Tre has avoided over 120,000 tonnes of CO<sub>2</sub> over the past five years.

3 UK was the first in the UK to share its mobile network with another mobile operator, through a 50:50 joint venture company. Such arrangement allows better utilisation of the network capacity, enabling 3 UK to minimise its environmental impact by reducing the energy consumption through sharing cell sites and equipment, while providing great coverage and reliable services to customers throughout the UK.

#### GHG Scope 1 and 2 Emissions in Telecommunications Division <sup>(1)(2)</sup> (tCO<sub>2</sub>e)



#### Energy Consumption in Telecommunications Division <sup>(1)(2)</sup> (GWh)



Note:

- (1) The greenhouse gas emissions and the energy consumption for 2017 and 2018 have been restated mainly due to re-categorisation of fuel type and a reporting error.
- (2) Data boundary of 2019 has expanded to include Wind Tre as it became a subsidiary in September 2018, hence the data is not directly comparable with prior years.



#### 9.5.3.2. Sourcing Renewable Energy

While many of the European markets in which the division operates have already been using renewable energy in their energy mix, the division took a step further to explore and introduce additional renewable energy sources into the current energy mix of telecom operations to reduce GHG emissions. For example, **3** Denmark and **3** Sweden have been buying electricity from renewable energy sources to power its mobile network. This initiative has reduced the GHG emissions of **3** Denmark and **3** Sweden by more than 3,000 tonnes per year. For 2018, green electricity accounts for about 80% of Hi3G Access AB's total electricity consumption. Besides certified green electricity, **3** Denmark and **3** Sweden have also been purchased non-certified renewable energy from property owners. The goal is to reach 100% renewable electricity, where available and practicable in the future.

Besides sourcing renewable energy, the division also explored the possibilities of generating renewable energy on its own. Wind Tre has 13 grid-connected proprietary photovoltaic systems, generating 2,200 GJ of green electricity in 2018 alone.

**3** Austria's headquarters launched its own solar panel system in October. In the future, **3** Austria will rely on in-house green electricity to power its headquarters.

#### 9.5.4. Looking Forward

The division will continue to implement and roll out a series of initiatives. For example, tower asset upgrades, infrastructure modernisation, and development of more energy efficient ICT services to support sustainable development and carbon reduction. The division aims to help society transition to a low-carbon future by offering connectivity of smart, digital solutions that reduce energy use and travel and transport.

To demonstrate the division's commitment, CKHGT will be disclosing its climate impact for the first time via the CDP reporting mechanism in 2020 and is in the process of developing a Science Based Target to align its carbon emissions with the goals of the Paris Agreement. In line with the overall risk management approach of CKHGT and by adopting the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"), a set of climate-related risks and opportunities material to CKHGT, its assets and business are being identified and will be reviewed regularly.

## 10. Environmental Performance Indicators

| Environmental KPIs <sup>(1)(2)</sup>                | Unit                                    | Ports and Related Services |         |                       | Retail                 |                        |                        | Infrastructure       |                      |  |
|---|---|----------------------------|---------|-----------------------|------------------------|------------------------|------------------------|----------------------|----------------------|--|
|   |   | 2017                       | 2018    | 2019                  | 2017                   | 2018                   | 2019                   | 2017 <sup>(12)</sup> | 2018 <sup>(12)</sup> |  |
| GHG emissions                                       |   |                            |         |                       |                        |                        |                        |                      |                      |  |
| Total GHG emissions                                 | tonne CO <sub>2</sub> e                 | 489,802 <sup>(5)</sup>     | 585,427 | 579,058               | 641,554 <sup>(9)</sup> | 661,127 <sup>(9)</sup> | 661,985                | 9,778,614            | 10,864,931           |  |
| Scope 1 emissions                                   |   | 283,473                    | 324,123 | 306,877               | 219,113                | 219,445                | 190,448                | 7,464,392            | 8,944,665            |  |
| Scope 2 emissions                                   |   | 206,329                    | 261,304 | 272,181               | 422,441                | 441,682                | 471,537                | 2,314,222            | 1,920,266            |  |
| Total GHG emissions intensity                       | tonne                                   | 0.019                      | 0.022   | 0.021                 | 0.005                  | 0.005                  | 0.005                  | 0.255                | 0.226                |  |
| Scope 1 GHG emission intensity                      | CO <sub>2</sub> e/                      | 0.011                      | 0.012   | 0.011                 | 0.002                  | 0.002                  | 0.001                  | 0.195                | 0.186                |  |
| Scope 2 GHG emission intensity                      | revenue<br>HK\$'000                     | 0.008                      | 0.010   | 0.010                 | 0.003                  | 0.003                  | 0.004                  | 0.060                | 0.040                |  |
| Use of energy                                       |   |                            |         |                       |                        |                        |                        |                      |                      |  |
| Total energy consumption                            | Gwh                                     | 1,511 <sup>(5)</sup>       | 1,819   | 1,773                 | 1,201 <sup>(9)</sup>   | 1,298 <sup>(9)</sup>   | 1,278                  | 29,905               | 32,757               |  |
| Direct energy consumption                           |   | 1,113                      | 1,285   | 1,217                 | 387                    | 398                    | 454                    | 25,442               | 28,833               |  |
| Gasoline/ Petrol                                    |   | 8                          | 37      | 8                     | 9                      | 2                      | 1                      | 37                   | 32                   |  |
| Diesel  |   | 1,073                      | 1,226   | 1,192                 | 287                    | 265                    | 277                    | 465                  | 511                  |  |
| Natural gas   |   | 8                          | 12      | 9                     | 79                     | 75                     | 78                     | 10,268               | 10,514               |  |
| Towngas <sup>(3)</sup>                              |   | -                          | -       | -                     | 7                      | 22                     | 32                     | -                    | -                    |  |
| Other gas fuels (excl. Towngas and natural gas)     |   | 3                          | 7       | 5                     | 5                      | 34                     | 66                     | 4                    | 5                    |  |
| Other fuels <sup>(4)</sup>                          |   | 21                         | 3       | 3                     | -                      | -                      | -                      | 14,668               | 17,771               |  |
| Indirect energy consumption                         |   | 398                        | 534     | 556                   | 814                    | 900                    | 824                    | 4,463                | 3,924                |  |
| Electricity   |   | 398                        | 534     | 556                   | 814                    | 900                    | 824                    | 4,463                | 3,924                |  |
| Steam energy  |   | -                          | -       | -                     | -                      | -                      | -                      | -                    | -                    |  |
| Total energy consumption intensity                  | kwh/                                    | 59.079                     | 68.396  | 65.659                | 9.706                  | 9.718                  | 9.649                  | 780.114              | 681.038              |  |
| Direct energy consumption intensity                 | revenue                                 | 43.517                     | 48.322  | 45.066                | 3.126                  | 2.979                  | 3.431                  | 663.692              | 599.464              |  |
| Indirect energy consumption intensity               | HK\$'000                                | 15.562                     | 20.074  | 20.593                | 6.580                  | 6.738                  | 6.218                  | 116.422              | 81.574               |  |
| Air emissions                                       |   |                            |         |                       |                        |                        |                        |                      |                      |  |
| NOx emissions                                       | tonne                                   | 2,023                      | 292     | 341                   | -                      | -                      | -                      | 5,649                | 9,958                |  |
| SOx emissions                                       |   | 269                        | 2       | 2                     | -                      | -                      | -                      | 668                  | 674                  |  |
| Particulate matter emissions                        |   | 88                         | 23      | 26                    | -                      | -                      | -                      | 426                  | 316                  |  |
| Waste Production                                    |   |                            |         |                       |                        |                        |                        |                      |                      |  |
| Total hazardous waste produced                      | tonne                                   | 10,391                     | 3,420   | 2,204 <sup>(6)</sup>  | -                      | -                      | -                      | 105,728              | 106,716              |  |
| Total non-hazardous waste produced                  |   | 57,916                     | 23,847  | 34,985 <sup>(7)</sup> | 46,794                 | 49,890                 | 83,503 <sup>(10)</sup> | 496,761              | 537,527              |  |
| Use of water  |   |                            |         |                       |                        |                        |                        |                      |                      |  |
| Water consumption                                   | '000 m <sup>3</sup>                     | 2,604                      | 1,357   | 928 <sup>(8)</sup>    | 2,606                  | 3,239                  | 2,404 <sup>(11)</sup>  | 38,634               | 38,835               |  |
| Water consumption intensity                         | m <sup>3</sup> /<br>revenue<br>HK\$'000 | 0.102                      | 0.051   | 0.034                 | 0.021                  | 0.024                  | 0.018                  | 1.008                | 0.807                |  |
| Packaging material                                  |   |                            |         |                       |                        |                        |                        |                      |                      |  |
| Total packaging material used for finished products | tonne                                   | 1                          | 19      | 16                    | 42,749                 | 57,177                 | 73,967                 | 4,489                | 3,387                |  |
| Plastic   |   | -                          | 19      | 16                    | 21,339                 | 27,015                 | 34,129                 | -                    | -                    |  |
| Paper   |   | 1                          | -       | -                     | 15,851                 | 23,296                 | 26,847                 | 4,489                | 3,387                |  |
| Metal   |   | -                          | -       | -                     | 2,694                  | 3,761                  | 6,909                  | -                    | -                    |  |
| Glass   |   | -                          | -       | -                     | 2,361                  | 2,616                  | 4,917                  | -                    | -                    |  |
| Other packaging material                            |   | -                          | -       | -                     | 504                    | 489                    | 1,165                  | -                    | -                    |  |

Note:

- Environmental KPIs in this data table reflect the data of the Company and its subsidiaries for the year ended 31 December 2019, with acquisitions and disposals happening in the year excluded, unless otherwise specified.
- This year, the methodology used for calculating the 2019 environmental KPIs has been fine-tuned to integrate a more accurate dataset, including primary data, if available.
- The term is revised to better clarify the fuel used. "Towngas/Gas work gas" was the term used previously.
- Other fuels include residual fuel oil, waste oils, landfill gas, energy generated from industrial and municipal wastes, refinery fuel gas, etc.
- The 2017 GHG emissions and the energy consumption figures have been restated due to a reporting error.
- The total amount of hazardous waste decreased by 36% compared with 2018. This is mainly due to the lower incidence of oil spills at Hutchison Ports PPC.
- The total amount of non-hazardous waste increased by 47% compared with 2018. This is mainly due to the scrap metal project to remove derelict equipment in Hutchison Ports FCP, which is expected to be completed this year.
- The water consumption decreased by 32% compared with 2018. This is mainly due to the completion of the water leak repair in Hutchison Ports PPC.
- The 2017 and 2018 GHG emissions and the energy consumption figures have been restated mainly due to a unit conversion error.
- This year, the methodology used for calculating the 2019 environmental KPIs has been fine-tuned to integrate a more accurate dataset, including primary data, if available.
- The water consumption decreased by 26% compared with 2018. This is mainly due to a drop in the number of stores and reduced frequency of deep cleaning in some stores in PARKnSHOP.



| Telecommunications |                         |                         |                       | Total      |            |            | Husky <sup>(18)</sup>  |                     |                       |
|--------------------|-------------------------|-------------------------|-----------------------|------------|------------|------------|------------------------|---------------------|-----------------------|
| 2019               | 2017                    | 2018                    | 2019 <sup>(14)</sup>  | 2017       | 2018       | 2019       | 2016                   | 2017                | 2018                  |
| 10,313,728         | 521,013 <sup>(13)</sup> | 561,448 <sup>(13)</sup> | 866,533               | 11,430,983 | 12,672,933 | 12,421,304 | 5,372,066              | 5,384,522           | 4,943,370             |
| 8,486,783          | 23,770                  | 63,130                  | 139,123               | 7,990,748  | 9,551,363  | 9,123,231  | 4,517,036              | 4,492,124           | 4,125,503             |
| 1,826,945          | 497,243                 | 498,318                 | 727,410               | 3,440,235  | 3,121,570  | 3,298,073  | 855,030                | 892,398             | 817,867               |
| 0.227              | 0.008                   | 0.007                   | 0.008                 | 0.045      | 0.044      | 0.040      | 0.176                  | 0.120               | 0.091                 |
| 0.187              | 0.00037                 | 0.001                   | 0.001                 | 0.032      | 0.033      | 0.030      | 0.148                  | 0.100               | 0.076                 |
| 0.040              | 0.008                   | 0.006                   | 0.007                 | 0.014      | 0.011      | 0.011      | 0.028                  | 0.020               | 0.015                 |
| 32,222             | 1,028 <sup>(13)</sup>   | 1,050 <sup>(13)</sup>   | 2,011                 | 33,645     | 36,924     | 37,284     | 17,426                 | 17,356              | 19,290                |
| 28,457             | 69                      | 32                      | 73                    | 27,011     | 30,548     | 30,201     | 15,741                 | 15,726              | 16,038                |
| 33                 | 1                       | 10                      | 9                     | 55         | 81         | 51         | -                      | -                   | -                     |
| 542                | 63                      | 14                      | 55                    | 1,888      | 2,016      | 2,066      | -                      | -                   | -                     |
| 10,525             | 5                       | 8                       | 9                     | 10,360     | 10,609     | 10,621     | 12,344 <sup>(19)</sup> | 12,161              | 12,590                |
| -                  | -                       | -                       | -                     | 7          | 22         | 32         | -                      | -                   | -                     |
| 5                  | -                       | -                       | 0.14                  | 12         | 46         | 76         | -                      | -                   | -                     |
| 17,352             | - <sup>(5)</sup>        | -                       | -                     | 14,689     | 17,774     | 17,355     | 3,397 <sup>(19)</sup>  | 3,565               | 3,448                 |
| 3,765              | 959                     | 1,018                   | 1,938                 | 6,634      | 6,376      | 7,083      | 1,685                  | 1,630               | 3,252                 |
| 3,765              | 959                     | 1,018                   | 1,938                 | 6,634      | 6,376      | 7,083      | 949                    | 913                 | 2,463 <sup>(21)</sup> |
| -                  | -                       | -                       | -                     | -          | -          | -          | 736 <sup>(20)</sup>    | 717 <sup>(20)</sup> | 789                   |
| 709,343            | 16,078                  | 13,299                  | 19,643                | 133,735    | 128,544    | 121,335    | 571,965                | 386,142             | 355,562               |
| 626,469            | 1,082                   | 0,413                   | 0,706                 | 107,366    | 106,350    | 98,285     | 516,671                | 349,881             | 295,630               |
| 82,875             | 14,996                  | 12,886                  | 18,937                | 26,369     | 22,194     | 23,050     | 55,294                 | 36,261              | 59,932                |
| 8,027              | 1                       | 1                       | 50                    | 7,673      | 10,251     | 8,418      | 3,927                  | 4,163               | 3,745                 |
| 636                | -                       | -                       | -                     | 937        | 676        | 638        | 3,555                  | 2,508               | 2,109                 |
| 233                | -                       | -                       | 5                     | 514        | 339        | 264        | -                      | 237                 | 244                   |
| 106,622            | 1,294                   | 3,397                   | 883 <sup>(15)</sup>   | 117,413    | 113,533    | 109,709    | -                      | -                   | -                     |
| 508,859            | 110,556                 | 122,947                 | 3,649 <sup>(16)</sup> | 712,027    | 734,211    | 630,996    | -                      | -                   | -                     |
| 35,665             | 101                     | 121                     | 227                   | 43,945     | 43,552     | 39,224     | 13,018                 | 12,737              | 12,258                |
| 0.785              | 0.002                   | 0.002                   | 0.002                 | 0.175      | 0.152      | 0.128      | 0.427                  | 0.283               | 0.226                 |
| 3,545              | 688                     | 418                     | 727                   | 47,927     | 61,001     | 78,255     | -                      | -                   | -                     |
| -                  | 425                     | 152                     | 86 <sup>(17)</sup>    | 21,764     | 27,186     | 34,231     | -                      | -                   | -                     |
| 3,545              | 263                     | 266                     | 641                   | 20,604     | 26,949     | 31,033     | -                      | -                   | -                     |
| -                  | -                       | -                       | -                     | 2,694      | 3,761      | 6,909      | -                      | -                   | -                     |
| -                  | -                       | -                       | -                     | 2,361      | 2,616      | 4,917      | -                      | -                   | -                     |
| -                  | -                       | -                       | -                     | 504        | 489        | 1,165      | -                      | -                   | -                     |

(12) The 2017 and 2018 figures were restated to be consistent with CKI Annual Reports 2018 and 2019.

(13) The 2017 and 2018 GHG emissions and the energy consumption figures have been restated mainly due to re-categorisation of fuel type and a reporting error.

(14) Data boundary of 2019 has expanded to include Wind Tre as it became a subsidiary in September 2018, hence the data is not directly comparable with prior years.

(15) The total amount of hazardous waste decreased by 74% compared with 2018. This is mainly due to battery replacement in 2018 for network rollout in Vietnamobile.

(16) The total amount of non-hazardous waste decreased by 97% compared with 2018. This is mainly due to the completion of headquarter rebuilding and office relocation in 3 Austria in 2017 and 2018, in which a lot of bulky waste, cardboard packaging and packaging materials were generated.

(17) The amount of plastic used for packaging material decreased by 43% compared with 2018. This is mainly due to the pre-paid SIM card registration becoming mandatory in Indonesia, which significantly reduces the demand of the SIM starter pack in 3 Indonesia.

(18) Figures for Husky, a material associated company of the Group, are prorated based on the percentage equity stake held by CKHH. 2018 data is the latest data available for the report and 2019 data will be published on Husky's corporate website at [www.huskyenergy.ca](http://www.huskyenergy.ca) at a later date.

(19) The 2016 figure were restated mainly due to re-categorisation of fuel type.

(20) Data boundary of energy use has expanded to include steam energy this year. 2016 and 2017 figures are included for comparison purpose.

(21) The increase in electricity consumption was due to the methodology change to apply IPIECA grid factor of 38% to purchased electricity, accounting for the efficiency loss during electricity generation from fuel combustion.

## 11. About This Report

### Reporting Period

For over a decade, the Company has disclosed its sustainability activities as part of its Annual Report with gradual improvements to the quality and coverage of the issues and initiatives in this area. This is the first time that the Company publishes a standalone Sustainability Report on its sustainability mission and strategies, management approach, progress and highlights covering the year from 1 January 2019 to 31 December 2019, unless otherwise specified. All sustainability data of Husky, a material associated company of the Group, are for the year ended 31 December 2018. The data for the year ended 31 December 2019 will be published at Husky's corporate website at a later date.

### Report Boundary

The information disclosed in this Sustainability Report covers the five core businesses (i.e., ports and related services, retail, infrastructure, energy, telecommunications).

### Reporting Framework



This Report is prepared in accordance with the "Comply or Explain" provisions of HKEx ESG Reporting Guide ("ESG Guide"). The HKEx ESG Guide Content Index set out on this page contains information about the extent to which the Company has applied the ESG Guide and cross-references to relevant section in this Report.






This Report should be read in conjunction with the Company's 2019 Annual Report, which contains a comprehensive review of its financial performance and corporate governance, and also key policies which are published on CKHH's website. To learn more about its divisions' efforts and achievements in sustainability, please refer to their separate sustainability reports or websites.



### Feedback

The Group values feedback from all stakeholders to address stakeholders' concerns. The Group welcomes feedback on this Report, its approach to sustainability and performance. Please share your views at [IR@ckh.com.hk](mailto:IR@ckh.com.hk).

#### 11.1. HKEx ESG Guide Content Index






| Subject Areas, Aspects, General Disclosures and KPIs |   | Section                                       | Remarks   |
|--|---|---|---|
| <b>A. Environmental</b>                              |   |   |   |
| <b>Aspect A1: Emissions</b>                          |   |   |   |
| <b>General Disclosure</b>                            | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 4.2<br>5.5<br>6.6<br>7.5<br>7.6<br>8.5<br>9.5 | <ul style="list-style-type: none"> <li>Environmental Policy </li> <li>Supplier Code of Conduct </li> </ul> <p>The Group complies with relevant environmental laws and regulations that have a significant impact on it in countries/regions that it operates.</p> |
| <b>KPI A1.1</b>                                      | The types of emissions and respective emission data.  | 5.5<br>6.6<br>7.6<br>8.5<br>9.5<br>10         |   |
| <b>KPI A1.2</b>                                      | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.  | 5.5<br>6.6<br>7.6<br>8.5<br>9.5<br>10         |   |

|   |   |   |  |
|---|---|---|--|
| KPI A1.3  | Total hazardous waste produced (in tonnes) and, where appropriate, intensity.   | 7.6<br>10                                     |  |
| KPI A1.4  | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.   | 6.7<br>7.6<br>10                              |  |
| KPI A1.5  | Description of measures to mitigate emissions and results achieved.   | 5.5<br>6.6<br>7.5<br>7.6<br>8.5<br>9.5<br>10  |  |
| KPI A1.6  | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.                          | 6.7<br>7.5<br>7.6                             |  |
| <b>Aspect A2: Use of Resources</b>                      |   |   |  |
| General Disclosure                                      | Policies on the efficient use of resources, including energy, water and other raw materials.  | 4.2<br>5.5<br>6.6<br>7.5<br>7.6<br>8.5<br>9.5 | <ul style="list-style-type: none"> <li>Corporate Social Responsibility Policy </li> <li>Environmental Policy </li> <li>Supplier Code of Conduct </li> </ul> |
| KPI A2.1  | Direct and/or indirect energy consumption by type in total and intensity.   | 5.5<br>6.6<br>7.6<br>8.5<br>9.5<br>10         |  |
| KPI A2.2  | Water consumption in total and intensity.   | 7.6<br>10                                     |  |
| KPI A2.3  | Description of energy use efficiency initiatives and results achieved.  | 5.5<br>6.6<br>7.5<br>7.6<br>8.5<br>9.5<br>10  |  |
| KPI A2.4  | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 7.6<br>10                                     |  |
| KPI A2.5  | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.                | 6.7<br>10                                     |  |
| <b>Aspect A3: The Environment and Natural Resources</b> |   |   |  |
| General Disclosure                                      | Policies on minimising the issuer's significant impact on the environment and natural resources.  | 4.2<br>7.6<br>8.6                             | <ul style="list-style-type: none"> <li>Environmental Policy </li> <li>Supplier Code of Conduct </li> </ul>   |
| KPI A3.1  | Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.      | 7.6<br>8.6                                    |  |

| B. Social                           |   |                          |   |
|-------------------------------------|---|--------------------------|---|
| Employment and Labour Practices     |   |                          |   |
| Aspect B1: Employment               |   |                          |   |
| General Disclosure                  | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 4.2<br>5.3<br>6.4<br>9.4 | <ul style="list-style-type: none"> <li>Code of Conduct </li> </ul> <p>The Group complies with relevant employment and labour laws and regulations that have a significant impact on it in countries/regions that it operates.</p>      |
| KPI B1.1                            | Total workforce by gender, employment type, age group and geographical region.  | 5.3<br>6.4<br>9.4        |   |
| KPI B1.2                            | Employee turnover rate by gender, age group and geographical region.  | 5.3<br>6.4<br>9.4        |   |
| Aspect B2: Health and Safety        |   |                          |   |
| General Disclosure                  | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.   | 4.2<br>5.4<br>7.3<br>8.3 | <ul style="list-style-type: none"> <li>Health and Safety Policy </li> </ul> <p>The Group complies with relevant health and safety laws and regulations that have a significant impact on it in countries/regions that it operates.</p> |
| KPI B2.1                            | Number and rate of work-related fatalities.   | 5.4<br>7.3<br>8.3        |   |
| KPI B2.2                            | Lost days due to work injury.   | 5.4<br>7.3<br>8.3        |   |
| KPI B2.3                            | Description of occupational health and safety measures adopted, how they are implemented and monitored.   | 5.4<br>7.3<br>8.3        |   |
| Aspect B3: Development and Training |   |                          |   |
| General Disclosure                  | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.   | 4.2<br>5.3<br>6.4<br>9.4 |   |
| KPI B3.1                            | The percentage of employees trained by gender and employee category.  | 5.3<br>6.4<br>9.4        |   |
| KPI B3.2                            | The average training hours completed per employee by gender and employee category.  | 5.3<br>6.4<br>9.4        |   |

| Aspect B4: Labour Standards        |  |                   |   |
|------------------------------------|--|-------------------|---|
| General Disclosure                 | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.           | 4.2               | <ul style="list-style-type: none"><li>Human Rights Policy <a href="#">↗</a></li><li>Modern Slavery and Human Trafficking Statement <a href="#">↗</a></li><li>Supplier Code of Conduct <a href="#">↗</a></li></ul>   |
| KPI B4.1                           | Description of measures to review employment practices to avoid child and forced labour.   | -                 | The Group complies with relevant laws and regulations that have a significant impact on it in relation to preventing child and forced labour.   |
| KPI B4.2                           | Description of steps taken to eliminate such practices when discovered.  | -                 |   |
| Operating Practices                |  |                   |   |
| Aspect B5: Supply Chain Management |  |                   |   |
| General Disclosure                 | Policies on managing environmental and social risks of the supply chain.   | 6.3               | <ul style="list-style-type: none"><li>Human Rights Policy <a href="#">↗</a></li><li>Modern Slavery and Human Trafficking Statement <a href="#">↗</a></li><li>Supplier Code of Conduct <a href="#">↗</a></li></ul>   |
| KPI B5.1                           | Number of suppliers by geographical region.  | -                 |   |
| KPI B5.2                           | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.                                | 6.3               | <ul style="list-style-type: none"><li>Policy on Appointment of Third Party Representatives <a href="#">↗</a></li></ul>  |
| Aspect B6: Product Responsibility  |  |                   |   |
| General Disclosure                 | Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 6.2<br>9.2<br>9.3 | <ul style="list-style-type: none"><li>Code of Conduct <a href="#">↗</a></li><li>Policy on Personal Data Governance <a href="#">↗</a></li></ul> <p>No substantial complaints regarding health and safety, advertising, labelling and privacy matters relating to products and services provided were recorded during the reporting period.</p> |
| KPI B6.1                           | Percentage of total products sold or shipped subject to recalls for safety and health reasons.   | -                 |   |
| KPI B6.2                           | Number of products and service related complaints received and how they are dealt with.  | -                 |   |
| KPI B6.3                           | Description of practices relating to observing and protecting intellectual property rights.  | -                 |   |
| KPI B6.4                           | Description of quality assurance process and recall procedures.  | 6.2               |   |
| KPI B6.5                           | Description of consumer data protection and privacy policies, how they are implemented and monitored.  | 9.3               | <ul style="list-style-type: none"><li>Information Security Policy <a href="#">↗</a></li><li>Policy on Personal Data Governance <a href="#">↗</a></li></ul>  |



| Aspect B7: Anti-corruption      |  |                                 |   |
|---------------------------------|--|---------------------------------|---|
| General Disclosure              | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 4.2<br>4.3<br>5.2<br>7.2<br>8.2 | <ul style="list-style-type: none"> <li>• Code of Conduct </li> <li>• Anti-Fraud and Anti-Bribery Policy </li> <li>• Policy on Appointment of Third Party Representatives </li> </ul> <p>No recorded cases of non-compliance with laws and regulations relating to anti-corruption and bribery during the reporting period.</p> |
| KPI B7.1                        | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.                               | 5.2<br>7.2<br>8.2               | No such cases recorded during the reporting period.   |
| KPI B7.2                        | Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.  | 4.3<br>5.2<br>7.2<br>8.2        | <ul style="list-style-type: none"> <li>• Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control </li> </ul>   |
| Community                       |  |                                 |   |
| Aspect B8: Community Investment |  |                                 |   |
| General Disclosure              | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.           | 4.2<br>6.5<br>7.4<br>8.4        | <ul style="list-style-type: none"> <li>• Corporate Social Responsibility Policy </li> </ul>   |
| KPI B8.1                        | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sports).  | 4.2<br>6.5<br>7.4<br>8.4        |   |
| KPI B8.2                        | Resources contributed (e.g. money or time) to the focus area.  | 6.5<br>7.4<br>8.4               |   |

## Li Ka Shing Foundation-Seeking Change Searching for Betters

Established in 1980, the Li Ka Shing Foundation ("LKSF") has invested over HK\$26 billion to develop education and healthcare initiatives in over 27 countries and regions, with more than 80% of the projects benefiting the Greater China region.

Below are some of LKSF's major initiatives in 2019:



## 中小企10億「應急錢」計劃

互信互助 · 互諒互勉

The Crunch Time Instant Relief Fund Project was completed in mid-December 2019. A total of HK\$1.009 billion was granted, benefiting more than 28,000 SMEs and licensed hawkers.

### Crunch Time Instant Relief Fund for SMEs Programme

In October 2019, LKSF announced a donation of HK\$1 billion to set up the Crunch Time Instant Relief Fund in support of local Small and Medium Enterprises ("SMEs") in the food and beverage, retail and travel industries, as well as licensed hawkers, which are under severe duress from unprecedented challenges. The Foundation adopted a "trust more, stress less" attitude towards the vetting process. 43,000 applications were processed within 46 days with a total of HK\$1.009 billion granted to 66% of all eligible applicants, benefiting more than 28,000 SMEs.

### Rallying Together in Support of Frontline Medics

Since the outbreak of the Novel Coronavirus (COVID-19), selfless frontline medics in Wuhan have been battling to treat infected patients and contain the epidemic. On 10 February 2020, LKSF donated HK\$100 million through a special relief fund of the Liaison Office of the Central People's Government in Hong Kong to support their efforts.

In February, LKSF began distributing 250,000 masks to 13 social welfare organisations and six homes for the elderly in Hong Kong as well as essential medical supplies for the Hospital Authority.

### A Platform for Synthetic Biotechnologies

Considering the impact of a population surge on our planet's limited resources and the environment, the cross-disciplinary field of synthetic biology is set to become a core driving force of the future economy. In August 2019, LKSF announced support for the establishment of Hong Kong's first institute of synthetic biology at the Hong Kong University of Science and Technology with a budget of HK\$500 million.

### Listening Angels

As at the end of December 2019, the Caritas Family Crisis Hotline and Education Centre had received over HK\$56 million from LKSF to offer a 24-hour hotline as well as crisis prevention workshops to meet public demand. Since 2008, the Centre has handled over 590,000 sessions.



Caritas Family Crisis Hotline and Education Centre holds workshops on a regular basis.



Mr Li Ka-shing addressed the audience at the Grand Opening Ceremony of Tsz Shan Monastery cum Inauguration of the Buddhist Art Museum in March 2019.

### Tsz Shan Monastery - Clarity, Compassion, and Action

The Tsz Shan Monastery strives to serve society through Buddhist teachings. Since its inception, LKSF has granted HK\$3 billion to support its development and operations. The Monastery has welcomed more than 1.2 million visitors as of end 2019.

The Tsz Shan Institute continues to develop “Kindful Insight”, seeking effective solutions for mind wellness and strengthening research and teaching collaborations between Hong Kong and overseas universities. The Buddhist Spiritual Counselling Centre provides professional counselling services and wellness programmes inspired by Buddhist wisdom, and has assisted 160,000 members of the public since 2015.

Opened to the public in May 2019, the Tsz Shan Monastery Buddhist Art Museum has welcomed about 80,000 visitors. The collection of more than 100 artifacts illustrates the history of Buddhism and enables visitors to cultivate spirituality through art appreciation and learning.

### Shantou University

Shantou University (“STU”) is co-developed by the Ministry of Education, the Guangdong Provincial Government and LKSF. As the only privately funded public university in Mainland China, STU is dedicated to promoting reform and innovation in Mainland China’s higher education sector. LKSF has made grants and commitments of over HK\$10 billion to support STU’s development. From 2019 to 2022 academic years, LKSF will make an annual grant of up to RMB100 million to provide full-tuition academic scholarships for all enrolled undergraduates.

STU has continued to enhance its capability in specialized areas such as law, Chinese language and literature, mathematics and applied mathematics, biotechnologies, machine design manufacturing and automation, clinical medicine, and visual communication design, and has been listed as a National First-class Undergraduate Program. For the fifth consecutive year,

STU has been recognised internationally and was ranked 43 among all Mainland universities in the Times Higher Education World University Rankings.

In 2019, 100% of enrolled freshmen from Guangdong Province chose STU as their first preference. The first-time employment rate for STU graduates has reached 98.47%, among the highest in Guangdong Province for many years.

### Shantou University Medical College

Shantou University Medical College (“SUMC”) is pioneering reforms in medical education which adopts global medical education standards to cultivate high-quality medical talents. For 22 consecutive years, all incoming students have selected SUMC as their first choice. The employment rate of new graduates has ranked among the top universities in Guangdong Province for 19 consecutive years. SUMC has taken the lead in adopting the United States Medical Licensing Examination (USMLE Step 1) to evaluate students in the English-stream medical programme. Over the past eight years, the average passing rate of 91% for SUMC students in the USMLE Step 1 is close to those of accredited medical schools in the US, and the Clinical Medicine major has been in the world’s top 1% of ESI (Essential Science Index). The Clinical Medicine major has been listed in the national plan to develop world-class undergraduate courses.

The Joint Laboratory for Precise Diagnosis and Treatment of Infectious Diseases, chaired by Professor Guan Yi, director of the Shantou University-The University of Hong Kong Joint Institute of Virology, has been recognized as one of the top 10 Guangdong-Hong Kong-Macao Joint Laboratories, and is the only one of its kind in Eastern Guangdong.

The new research center under construction since April 2019 is expected to be completed by April 2021. The new affiliated Cancer Hospital started construction in September and is scheduled to be completed in three years. On 26 December, the Joint Shantou International Eye Center of Shantou University and the Chinese University of Hong Kong set up a branch in the Chaozhou



The Shantou University commencement ceremony in August 2019, honouring 2,847 graduating students.

People's Hospital, donated by Mr Li Ka-shing, giving Chaozhou residents access to high quality ophthalmology services.

### Guangdong Technion Israel Institute of Technology (Joint venture between STU and Technion)

In 2019, the Guangdong Technion Israel Institute of Technology (GTIIT) enrolled 266 incoming students, taking the total student body to 738. Three GTIIT programmes for National Natural Science Foundation were approved. It is also the first time that GTIIT succeeded in applying for the Youth Science Fund and the Research Fund for International Young Scientists. Five Guangdong provincial key platforms and scientific research projects have also been approved, including Featured Innovative Projects and Youth Innovative Talent Projects.

LKSF donated US\$130 million to Technion to promote the co-establishment of GTIIT by Technion and STU, which is fully supported by the People's Government of Guangdong Province and the Shantou Municipal Government.



The National Telemedicine Symposium held at the Shantou University Medical College focused on sleep disorders.

### Cheung Kong Graduate School of Business

Since its founding on 21 November 2002, the Cheung Kong Graduate School of Business ("CKGSB") has aimed to cultivate transformative business leaders with a global vision, a humanistic spirit, a strong sense of social responsibility and an innovative mind-set. In its 17-year history, CKGSB has developed a growing network of 14,000 alumni.



The Cheung Kong Graduate School of Business hosts seminars and conferences to build bridges between the East and West.

### A Pipeline for Education, Research and Commercialization

The LKSF committed US\$2 million to support US-based start-up Evolve Biosystems and Zhejiang University's College of Animal Science to conduct research on "Antibiotics-free Animal Husbandry", and UK-based medical startup Owlstone and Shanghai Jiaotong University Renji Hospital to initiate a clinical study for early detection of lung cancer development of non-invasive "Breath Biopsy for Cancer Detection". A special donation of US\$1 million was made to the Zhejiang University's "Dr. Ba De-nian Medical Programme Development Fund" and an additional donation of RMB2 million was directed towards projects that benefit the development of female students.

In July 2019, LKSF donated RMB2 million to Shanghai Little Pigeons Dance Troupe to finance its exchange activities and philanthropic projects.

### Free Healthcare Services in Mainland China

Over the years, LKSF has contributed over RMB1 billion to support free medical care services, including "Heart of Gold" Nationwide Hospice Care Services; three phases of the Cheung Kong New Milestone Programme in collaboration with the China Disabled Persons' Federation to install prosthetics (400,000 cases) and provide rehabilitation support and training; Nationwide Medical Relief for the Poor; and the Kumbum Tibetan Medical Hospital Aid Programme. Over 17 million patients have benefited.



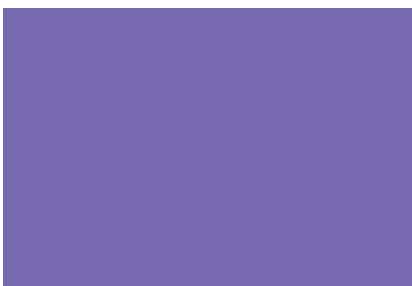
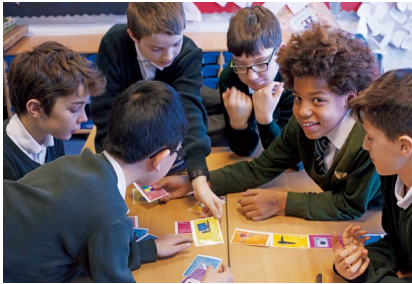
For more than 20 years, the "Heart of Gold" Nationwide Hospice Services Programme led by Shantou University Medical College has provided palliative services for patients in rural areas.

### Overseas Healthcare and Research

In 2019, LKSF made new commitments of over HK\$50 million to support major education, medical services, and scientific research projects at top overseas institutions.

Seeking Change, Searching for Better – The Foundation pledges to continue making contributions that advance healthcare, education, and technology.







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