

# Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (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 Company has adopted and applied corporate governance principles and practices that emphasise a quality board of Directors (the "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.

The Company has complied throughout the year ended 31 December 2019 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those in respect of the separate roles of Chairman and Chief Executive, and the composition of the Nomination Committee as explained below in this report.

## The Board

### Corporate Strategy

The principal objective of the Company is to enhance long-term total return for its shareholders. To achieve this objective, the Group focuses on achieving recurring and sustainable earnings, cash flow and dividend growth without compromising the Group's financial strength and stability. The Group executes disciplined management of revenue growth, margin and costs, capital and investments to return ratio targets, earnings and cash flow accretive merger and acquisition activities, as well as organic growth in sectors or geographies where the Group has strong management experience and resources. Technology transformation also remains a key initiative of the Group to capture new cost and revenue opportunities in all businesses. At the same time, the Group is committed to maintaining long-term investment grade ratings, preserving strong liquidity and flexibility, sustaining a long and balanced debt maturity profile and actively managing cash flow and working capital. The Group explores opportunities to enhance shareholders' returns, which include potential telecom infrastructure divestures and solidifying strategic alliances with global technology partners. The Chairman's Statement and the Operations Review contained in this annual report and the Operations Analysis which are posted on the Group's website (<http://www.ckh.com.hk/en/ir/presentation.php>), include discussions and analyses of the Group's performance, the basis on which the Group generates and preserves value in the longer term and delivers the Group's objectives.

### Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing and guiding the strategic objectives of the Company and overseeing and monitoring managerial performance. 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.

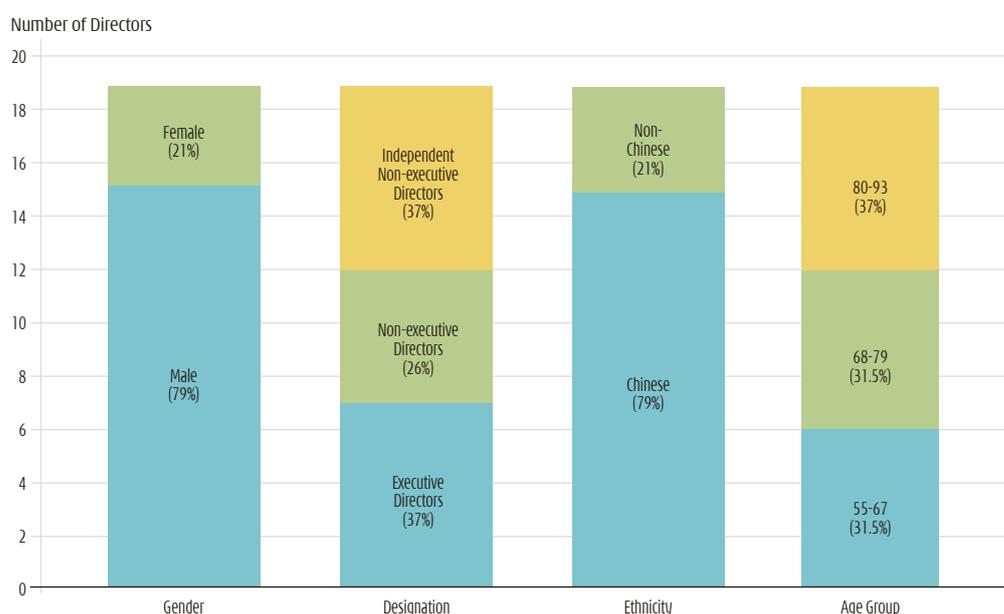
### Board Composition

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 ("GFD/DMD"), 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 Listing Rules.

The Nomination Committee comprising the full Board 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. It is also responsible for the selection and appointment of Directors and succession planning of Directors and senior management. To this end, the Board is mindful of having an appropriately structured recruitment, selection and training programme at appropriate levels so as to identify and prepare suitable talents for Board positions. Further details of the Company's Board Diversity Policy and Director Nomination Policy, along with the results of the review of the Board composition, nomination and independence of Independent Non-executive Directors are set out in the section "Nomination Committee" below.

## Corporate Governance Report

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 and on the website of the Group. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Group and Hong Kong Exchanges and Clearing Limited ("HKEX") ([www.hkexnews.hk](http://www.hkexnews.hk)).

### 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. He is also responsible for ensuring that Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues to be deliberated at Board meetings and are provided with adequate and accurate information in a timely manner.

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. 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, as outlined later in this report.

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.

Working with the Executive Directors and the executive management team of each core business division, the Group Co-Managing Directors present annual budgets to the Board for consideration and approval, and ensure that the Board is fully apprised of the funding requirements of the Group. With the assistance of the GFD/DMD, the Group Co-Managing Directors ensure that the funding requirements of the businesses are met and monitor the operating and financial performance of the businesses against plans and budgets. The Group Co-Managing Directors maintain an ongoing dialogue with all Directors to keep them fully informed of all major business development and issues. In addition, they are also responsible for building and maintaining an effective executive team to support them in their roles.

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.

### **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, 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. Throughout the year, in addition to physical Board meetings, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to Directors as appropriate. 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.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and a draft agenda for review and comment about three weeks prior thereto. The full set of Board papers is supplied no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company and the Listing Rules, a Director would abstain from voting on resolutions approving any contract, transaction or arrangement in which he/she or any of his/her close associates is materially interested, and such Director is not counted for quorum determination purposes.

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 (the "2019 AGM") 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. The attendance record is set out below:

## Corporate Governance Report

Directors	Board Meetings Attended/ Eligible to Attend	Attendance at 2019 AGM
<b>Chairman</b>		
Victor T K Li <sup>(1)</sup> ( <i>Group Co-Managing Director</i> )	4/4	√
<b>Executive Directors</b>		
Fok Kin Ning, Canning ( <i>Group Co-Managing Director</i> )	4/4	√
Frank John Sixt ( <i>Group Finance Director and Deputy Managing Director</i> )	4/4	√
Ip Tak Chuen, Edmond ( <i>Deputy Managing Director</i> )	4/4	√
Kam Hing Lam <sup>(1)</sup> ( <i>Deputy Managing Director</i> )	4/4	√
Lai Kai Ming, Dominic ( <i>Deputy Managing Director</i> )	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	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.

In addition to Board meetings, in 2019 the Chairman held regular meetings with the Executive Directors 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.

All Non-executive Directors entered into service contracts for an initial term ending on 31 December of the year of appointment. Thereafter, such contracts are automatically renewed for successive 12-month periods. All Directors are subject to re-election by shareholders at general meetings at least about once every three years on a rotation basis. A retiring Director is eligible for re-election, and re-election of retiring Directors at general meetings is presented in separate resolutions. Further, no Director has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## Training and Commitment

Upon appointment to the Board, Directors receive a package of comprehensive orientation materials on the Group comprising information on the Group, duties as a director and board committee member, as well as internal governance policies of the Group. These orientation materials are presented to the Directors by senior executives in the form of a detailed induction to the Group's businesses, strategic direction and governance practice.

The Company arranges and provides Continuous Professional Development ("CPD") training such as seminars, webcasts and relevant reading materials to Directors to help them to 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. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics also count toward CPD training.

The 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. Based on the details so provided, the CPD training undertaken by the Directors during the year is summarised as follows, representing an average of approximately 8 hours by each Director during the year:

Directors	Areas		
	Legal and Regulatory	Corporate Governance/ Environmental, Social & Governance ("ESG") Practices	Group's Businesses/ Directors' Duties
<b>Chairman</b>			
Victor T K Li ( <i>Group Co-Managing Director</i> )	√	√	√
<b>Executive Directors</b>			
Fok Kin Ning, Canning ( <i>Group Co-Managing Director</i> )	√	√	√
Frank John Sixt ( <i>Group Finance Director and Deputy Managing Director</i> )	√	√	√
Ip Tak Chuen, Edmond ( <i>Deputy Managing Director</i> )	√	√	√
Kam Hing Lam ( <i>Deputy Managing Director</i> )	√	√	√
Lai Kai Ming, Dominic ( <i>Deputy Managing Director</i> )	√	√	√
Edith Shih	√	√	√
<b>Non-executive Directors</b>			
Chow Kun Chee, Roland	√	√	√
Chow Woo Mo Fong, Susan	√	√	√
Lee Yeh Kwong, Charles	√	√	√
Leung Siu Hon	√	√	√
George Colin Magnus	√	√	√
<b>Independent Non-executive Directors</b>			
Kwok Tun-li, Stanley	√	√	√
Cheng Hoi Chuen, Vincent	√	√	√
Michael David Kadoorie	√	√	√
Lee Wai Mun, Rose	√	√	√
William Shurniak	√	√	√
Wong Chung Hin	√	√	√
Wong Yick-ming, Rosanna	√	√	√
<b>Alternate Director</b>			
William Elkin Mocatta ( <i>Alternate Director to Michael David Kadoorie</i> )	√	√	√

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group for the year. 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 as well as update the Company on any subsequent changes.

## Corporate Governance Report

### Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In summary, a Director who wishes to deal in the securities of the Company must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing prior to any dealings and obtain a dated written acknowledgement to deal. The Director has five business days after receiving clearance to deal and after dealings, submit a disclosure of interests filing with respect to the dealing, within the time frame required under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

In response to specific enquiries made, all Directors have confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the year ended 31 December 2019.

### Board Committees

The Board is supported by three permanent board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, details of which are described later in this report. The terms of reference for these Committees, which have been adopted by the Board, are available on the websites of the Group and HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

### Company Secretary

The Company Secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and timely preparation of and dissemination to Directors comprehensive Board meeting papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient detail the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory, corporate governance and ESG developments of relevance to the Group and that it takes these developments into consideration when making decisions for the Group. From time to time, the Company Secretary organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-backs, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on connected transactions, notifiable transactions, price-sensitive/inside information, and Directors' obligations for disclosure of interests and dealings in the Group's securities, to ensure that the standards and disclosure requirements under the Listing Rules and applicable laws, rules and regulations are complied with and, where required, reported in the annual report of the Company.

The Company Secretary also serves as a crucial conduit of communications internally and externally. She facilitates information flow and communication among Directors and also conveys the Board's decisions to the Management from time to time and ensures a good channel of communication with shareholders. She also works with the Board and Management to assist in responding to regulators in a timely manner.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman and the Group Co-Managing Directors, all members of the Board have access to her advice and service. The Company Secretary of the Company has day-to-day knowledge of the Group's affairs. She confirms that she has complied with all the required qualifications, experience and training requirements under the Listing Rules.

## Accountability and Audit

### Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year end.

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 129 to 133 which acknowledges the reporting responsibility of the Group's Auditor.

### Annual Report and Financial Statements

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company. The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"). Directors should incorporate such internal control as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Accounting Policies

The Directors consider that in preparing the financial statements, the Group has adopted appropriate accounting policies and made judgements and estimates that are reasonable in accordance with the applicable accounting standards.

### Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position and reflect the transactions of the Group, upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

### Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

### Going Concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

## Corporate Governance Report

### Audit Committee

The Audit 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. It is chaired by Mr Wong with Mr Kwok, Mr Cheng and Mr Shurniak as members.

The Audit Committee held four meetings in 2019 with 88% attendance. All members attended the Audit Committee meetings held during 2019 except for two Independent Non-executive Directors who were not able to attend due to unforeseen indisposition and personal reasons respectively.

Members	Attended/Eligible to Attend
Wong Chung Hin ( <i>Chairman</i> )	4/4
Kwok Tun-li, Stanley	3/4
Cheng Hoi Chuen, Vincent	4/4
William Shurniak	3/4

Under its terms of reference, the role of the Audit Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to take on any other responsibility as may be delegated by the Board from time to time. The Audit Committee is responsible for monitoring the integrity of the Group's interim and annual results, and interim and annual financial statements, reviewing the Group's risk management and internal control systems as well as overseeing the relationship between the Company and its external auditors. The Audit Committee is also required to develop and review the Company's policies and practices on corporate governance including compliance with statutory and Listing Rules requirements; and review the scope, extent and effectiveness of the activities of the Group's internal audit function. In addition, it is authorised to engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Throughout 2019, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code.

During 2019 and 2020 (up to the date of this report), the Audit Committee met with the GFD/DMD and other senior management of the Group to review the interim and annual results, the interim and annual reports and other financial, internal control, corporate governance and risk management matters of the Group. It received, considered and discussed the reports and presentations of Management, the Group's internal auditor and external auditor, PricewaterhouseCoopers ("PwC"), to ensure that the Group's 2018 and 2019 consolidated financial statements were prepared in accordance with HKFRS and comply with the applicable disclosure requirements of the Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It also met four times during 2019 and two times during 2020 (up to the date of this report) with the external auditor to consider their reports on the scope, strategy, progress and outcome of its independent review of the 2019 interim financial report and annual audit of the 2018 and 2019 consolidated financial statements. In addition, the Audit Committee held private sessions with the external auditor and GFD/DMD separately without the presence of Management.

To assist the Board in maintaining effective risk management and internal control systems, the Audit Committee reviewed the process by which the Group evaluated its control environment and managed significant risks identified. It received and considered the risk management report, the composite risk register, risk heat map as well as the Management presentation on their review with respect to the effectiveness of the risk management and internal control systems of the Group. It also reviewed the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget.

In addition, the Audit Committee reviewed, in conjunction with the Group's Internal Audit, the work plans and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal controls in the business operations of the Group. Further, it also considered the reports from the Group Legal Department ("GLD") on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports were taken into consideration by the Audit Committee when it made its recommendation to the Board for approval of the consolidated financial statements. The Audit Committee also received presentations on the compliance status of the Group on corporate governance matters, and ensured that any deviation to the CG code was properly explained and disclosed in this report.

## External Auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. Each year, the Audit Committee receives a letter from the external auditor confirming its independence and objectivity. It holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendation to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of its external auditors for the various services listed below is as follows:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.
- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, such as audits of the Group's pension plans, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that must be undertaken, or is otherwise best placed to undertake, by it in its capacity as auditor.
- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group engages the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services – include, amongst others, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the Group's internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 37 to the financial statements. For the year ended 31 December 2019, PwC fees, amounting to HK\$246 million were primarily for audit services and those for non-audit services amounted to HK\$26 million, representing approximately 10% of the total PwC fees (audit and non-audit).

## Audit Report on the Annual Financial Statements

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2019 have been audited by PwC in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The unqualified auditor's report is set out on pages 129 to 133. The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2019 have also been reviewed by the Audit Committee.

## Risk Management, Internal Control and Legal & Regulatory Compliance

### Board Oversight

The Board has overall responsibility for the Group's systems of risk management, internal control and legal and regulatory compliance.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification, reporting and management of risks. The Board evaluates and determines the nature and extent of the risks (including ESG-related risks) that the Company is willing to accept in pursuit of the Group's strategic and business objectives. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. The reporting and review processes include the review by Executive Directors and the Board of budgets, strategic plans, and detailed operational and financial reports as provided by business unit management, as well as review by the Audit Committee of ongoing work of the Group's internal audit and risk management functions.

## Corporate Governance Report

On behalf of the Board, the Audit Committee also regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfilment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by the Executive Director and Company Secretary, and comprising representatives from key departments of the Company, provides timely updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. The Competition, Regulatory and Public Affairs Group reviews, assesses, escalates and where appropriate, proposes handling measures on competition, regulatory and public affairs matters affecting business units. It meets regularly with business units to monitor compliance requirements and to formulate strategy and share information and expertise across jurisdictions and businesses. It also provides regular updates to the Governance Working Group.

The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the separate roles of Chairman and Chief Executive, and the composition of the Nomination Committee as explained in this report.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

### Risk Management

The Company adopts an Enterprise Risk Management (ERM) 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 an integral part of the day-to-day operations and management of the Group and is 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, their plausible impact 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 Directors and Officers Liability Insurance to protect 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 this annual report provide a description of the Group's risk factors which could affect the Group's financial condition or results of operations that differ materially from expected or historical results.

### Internal Control Environment

Group structures covering all subsidiaries, associated companies and joint ventures are maintained and updated on a timely and regular basis. Executive Directors are appointed to the boards of all material operating subsidiaries and associated companies for overseeing and monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and determination of business strategies with associated risks identified and key business performance targets set. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies, and similarly, management of each business is accountable for its conduct and performance. The Group Co-Managing Directors monitor the performance and review the risk profiles of the Group companies on an ongoing basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management teams and Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance directors and financial controllers of the executive management teams of each core business attend monthly meetings with the GFD/DMD and members of his finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its unlisted subsidiary operations. The Group's Treasury function oversees the Group's investment and lending activities and also evaluates and monitors financial and operational risks, and makes recommendations to Management to mitigate those risks. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specifically, material expenditures within the approved budget as well as unbudgeted expenditures are subject to approval by the GFD/DMD or an Executive Director prior to commitment. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The Group also has established treasury policies covering specific aspects, such as bank account control and procedures, monitoring and compliance control for loan covenants, approval and reporting process for derivatives and hedging transactions.

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 senior management of each core business to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the risk management report as mentioned earlier and the independent assessments by the auditors, form part of the bases on which the Audit Committee formulates its opinion on the effectiveness of the Group's risk management and internal control systems.

## Legal and Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The GLD has the responsibility of safeguarding the legal interests of the Group. The Group has in place a Policy on Legal Documentation Review, Reporting Procedures and Litigation Proceedings which is applicable to material legal matters across the entire Group worldwide, subject to variations that may be agreed between the GLD and an individual division from time to time.

In addition, the Group has established a Policy on Corporate Secretarial Practices which sets out the procedures for corporate secretarial compliance, including corporate authorisation for execution of documentation, preparation, approval and signing of minutes of Board and committee meetings and Board resolutions. In respect of any transaction which requires GLD clearance, Group Corporate Secretarial Department ("GCSD") will require confirmation of GLD clearance before it would arrange for the convening of Board meetings or the signing of Board resolutions. The GCSD is also responsible for regulatory filings and Listing Rules compliance.

The GLD team, led by the Head Group General Counsel, is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management on legal and commercial issues of concern. In addition, the GLD is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory frameworks within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting responses or filings with relevant regulatory and/or government authorities on regulatory issues and consultations.

GLD also prepares and updates internal policies and conducts tailor-made workshops where necessary so as to strengthen the internal controls and compliance procedures of the Group. It determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as the most cost effective services are rendered. Further, GLD organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for Directors, business executives and the Group legal and corporate secretarial teams.

On the listed companies level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Companies Ordinance, the SFO and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated and where their securities are listed and traded. The GLD is vigilant with the legal requirements under these statutes, rules and regulations which would have a material implication or impact on the Group.

## Corporate Governance Report

### Governance Policies

The Group places utmost importance on the ethical, personal and professional standards of Directors and employees of the Group. It is committed to upholding high standards of business integrity, honesty and transparency in all its business dealings. The Group has adopted and implemented a number of governance policies imposing requirements on Directors and employees to conduct themselves in compliance with applicable laws, rules and regulations. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

Key governance policies and guidelines of the Group include:

#### Code of Conduct

The Code of Conduct sets the standards for employees as are necessary to promote honest and ethical conduct, accurate and timely disclosure in the reports and documents that the Group files or submits to regulators, compliance with applicable laws and regulations, prompt internal reporting of violations and accountability for compliance with the Code of Conduct. Every employee is required to undertake to adhere to the Group's Code of Conduct, which includes provisions dealing with conflict of interest, equal opportunities, diversity and a respectful workplace, health and safety, protection and proper use of company assets, record keeping, bribery and corruption, personal data protection and privacy as well as reporting procedures for illegal and unethical behaviour. It is also the Group's general policy not to make any form of donation to political associations or individual politicians. Approval from the Group Co-Managing Directors is required for any political contributions by the Group. Employees are required to report any non-compliance with the Code of Conduct in accordance with the established reporting and escalation procedures.

#### Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control

In line with the commitment to achieve and maintain high standards of openness, probity and accountability, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company any suspected impropriety, misconduct or malpractice concerning the Group. In this regard, the Company has adopted the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control, which is posted on the website of the Group. The procedures aim to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them against unfair dismissal or victimisation for any genuine reports made.

#### Anti-Bribery and Anti-Corruption Policy

In its business dealings, the Group does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Bribery and Anti-Corruption Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance where necessary. Each Group company is required to report any actual or suspected incident of bribery, corruption, theft, fraud or similar offences to the GFD/DMD and the General Manager of the Group's internal audit function ("Internal Audit GM") for independent analyses and necessary follow up (see page 119 of this report for more details).

#### Policy on Appointment of Third Party Representatives

The Group is also committed to promoting anti-corruption practices amongst any third party representatives (such as advisers, agents, consultants, introducers and finders) it engages. All Group companies are required to exercise due care and diligence in selecting third party representatives and in monitoring their activities, and should adhere to the Group's Policy on Appointment of Third Party Representatives in this regard.

#### Media, Public Engagement and Donation Policy

The Group places high value on its reputation in the communities and countries where it operates. Employees are required to observe the Media, Public Engagement and Donation Policy to ensure that the market receives timely and accurate information about the Group. The Group Corporate Affairs Department and subsidiary corporate communications/public relations departments are designated to help the Management provide clear, consistent and congruent messages for the Group's businesses through the media in a speedy, professional and well-coordinated manner.

#### Shareholder Communication Policy

The Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The Shareholder Communication Policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

### **Policy on Securities Dealing and Handling of Confidential and Price-Sensitive Inside Information**

With a view to ensuring that inside information is identified, handled and disseminated in compliance with the SFO, and proper internal control procedures are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations, the Group has implemented the Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information. The policy also adopts additional precautions which should be taken by employees who are in possession of inside information, including identification of project by code name and dissemination of information to stated purpose and on a need to know basis. Whilst all employees are absolutely prohibited at all times from dealing in the securities of any listed entity within the Group when they are in possession of unpublished inside information, certain members of senior management or staff are subject to specific additional compliance requirements as are communicated to them individually from time to time (including but not limited to obtaining written pre-clearance from designated members of management prior to any dealing in any such securities is allowed). Further, certain staff members in the Group Finance Department are subject to a two-month blackout period prior to the release of the Company's annual results while relevant staff in the GCS and Group Corporate Affairs Department are subject to a two-week blackout period.

### **Group Policy on Personal Data Governance**

The Group is also committed to the safeguard and protection of 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 Policy on Personal Data Governance and the local policies and procedures of its employing company.

### **Information Security Policy**

Employees must not disclose any confidential information of the Group, its customers, suppliers, business partners or shareholders, except when disclosure is authorised by the Group in accordance with the Information Security Policy which defines the common policies for information confidentiality, integrity and availability to be applied across the entire Group.

Employees are required to make a self-declaration every year to confirm that he/she has read, understood and will continue to comply with the various Group policies.

### **Board Diversity Policy and Director Nomination Policy**

The two Board policies, Board Diversity Policy and Director Nomination Policy, were adopted by the Board in February 2015 and January 2019, respectively. These two policies set out the approach and procedures the Board adopts for the nomination and selection of Directors as well as the approach to achieving diversity. Further details of the policies are provided on page 123 of this report.

### **Internal Audit**

The Internal Audit GM, reporting directly to the Audit Committee and also to the GFD/DMD, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. It has wide authority to access to documents, records, properties and personnel of the Group. By applying risk assessment methodology and considering the dynamics of the Group's activities, internal audit devises its three-year risk-based audit plan for review by the Audit Committee. The audit plan is subject to continuous reassessment taking into account external and internal factors such as macro economic and political concerns, business and operational changes, as well as audit and fraud findings which may affect the risk profile of the Group during the year.

Internal audit is responsible for assessing the Group's risk management and internal control systems, including reviewing the continuing connected transactions of the Company (refer to pages 95 and 96 of this annual report for more details), formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the GFD/DMD and the senior management concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the Group's external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial, IT, operations, governance policy and regulatory compliance reviews, recurring and surprise audits, as well as productivity efficiency reviews.

The internal audit function is also responsible for periodic fraud analyses and independent investigations. In accordance with the Group's Code of Conduct and Anti-Bribery and Anti-Corruption Policy, each core business derives its own set of escalation procedures to cater for its operational needs, and is required to report to the GFD/DMD and the Internal Audit GM any actual or suspected fraudulent activities within a 24-hour timeframe should the amount involved exceeds the de minimis threshold as agreed between the GFD/DMD and the executive management team of each core business. In addition, each core business submits a summary of fraud incidents statistics to the GFD/DMD and the Internal Audit GM on a quarterly basis. These cases, together with those escalated through the whistleblowing channels, are recorded in the Company's centralised fraud incidents register under the custody of the Internal Audit GM, and are independently assessed and investigated as appropriate. The Internal Audit GM would promptly escalate any incidents of a material nature to the Chairman of the Audit Committee for his direction. Also, a summary of the fraud 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.

## Corporate Governance Report

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the Internal Audit GM and, as appropriate, to the GFD/DMD and the finance director or financial controller of the relevant executive management team. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

## Remuneration of Directors and Senior Management

### Remuneration Committee

The Remuneration Committee comprises four members with expertise in human resources and personnel emoluments. The Committee is chaired by Dr Wong, an Independent Non-executive Director, with the Chairman Mr Li, Independent Non-executive Directors Mr Cheng and Mr Wong, as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence under the Listing Rules. The Committee meets towards the end of each year to determine the remuneration package of Directors and senior management of the Group. Remuneration matters are also considered and approved by way of written resolutions and where warranted, at additional meetings.

The Remuneration Committee held one meeting in 2019 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Yick-ming, Rosanna ( <i>Chairman</i> )	1/1
Victor T K Li	1/1
Cheng Hoi Chuen, Vincent	1/1
Wong Chung Hin	1/1

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating a broader and more diverse pool of employees of the highest calibre and experience needed to shape and execute the strategy across the Group's substantial, diverse and international business operations. It assists the Group 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.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the Group's business activities and human resources issues, and headcount and staff costs. It also reviewed and approved the proposed 2020 directors' fees for Executive Directors and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2020 remuneration package of Executive Directors, subsidiaries' managing directors and senior executives of the Group. No Director or any of his/her associates is involved in deciding his/her own remuneration.

### Remuneration Policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Executive Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

## 2019 Remuneration

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. Details of emoluments paid to each Director in 2019 are set out below:

Name of directors	Director's Fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
Victor T K LI <sup>(5)</sup>						
<i>Paid by the Company</i>	0.28	4.89	78.87	-	-	84.04
<i>Paid by CK Infrastructure Holdings Limited ("CKI")</i>	0.08	-	33.24	-	-	33.32
	0.36	4.89	112.11	-	-	117.36
FOK Kin Ning, Canning <sup>(1)</sup>	0.22	11.56	215.09	1.04	-	227.91
Frank John SIXT <sup>(1)</sup>	0.22	8.65	67.58	0.75	-	77.20
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	11.21	-	-	13.05
<i>Paid by CKI</i>	0.08	1.80	12.07	-	-	13.95
	0.30	3.42	23.28	-	-	27.00
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	10.43	-	-	13.07
<i>Paid by CKI</i>	0.08	4.20	12.07	-	-	16.35
	0.30	6.62	22.50	-	-	29.42
LAI Kai Ming, Dominic <sup>(1)</sup>	0.22	5.92	67.00	0.48	-	73.62
Edith SHIH <sup>(1)</sup>	0.22	4.44	20.36	0.32	-	25.34
CHOW Kun Chee, Roland <sup>(2)</sup>	0.22	-	-	-	-	0.22
CHOW WOO Mo Fong, Susan <sup>(2)</sup>	0.22	-	-	-	-	0.22
LEE Yeh Kwong, Charles <sup>(2)</sup>	0.22	-	-	-	-	0.22
LEUNG Siu Hon <sup>(2)</sup>	0.22	-	-	-	-	0.22
George Colin MAGNUS <sup>(2)</sup>						
<i>Paid by the Company</i>	0.22	-	-	-	-	0.22
<i>Paid by CKI</i>	0.08	-	-	-	-	0.08
	0.30	-	-	-	-	0.30
KWOK Tun-li, Stanley <sup>(3)(4)</sup>	0.35	-	-	-	-	0.35
CHENG Hoi Chuen, Vincent <sup>(3)(4)(5)</sup>	0.41	-	-	-	-	0.41
Michael David KADOORIE <sup>(3)</sup>	0.22	-	-	-	-	0.22
LEE Wai Mun, Rose <sup>(3)</sup>	0.22	-	-	-	-	0.22
William SHURNIAK <sup>(3)(4)</sup>	0.35	-	-	-	-	0.35
WONG Chung Hin <sup>(3)(4)(5)</sup>	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna <sup>(3)(5)</sup>	0.28	-	-	-	-	0.28
Total:	5.26	45.50	527.92	2.59	-	581.27

## Corporate Governance Report

Notes:

- (1) Directors' fees received by these Directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (2) Non-executive Director.
- (3) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK\$2.24 million (2018 - HK\$2.24 million).
- (4) Member of the Audit Committee.
- (5) Member of the Remuneration Committee.

The remuneration paid to the members of senior management by bands during the year is set out below:

Remuneration Bands*	Number of Individuals
HK\$15 million to HK\$19 million	1
HK\$20 million to HK\$24 million	2
HK\$25 million to HK\$29 million	3
HK\$70 million to HK\$75 million	1

\* Rounding to the nearest million.

## Nomination of Directors

### Nomination Committee

The Board established the Nomination Committee 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 responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills set of the Board against its needs and make recommendation on the composition of the Board to achieve the Group corporate strategy as well as promote shareholder value. It facilitates the Board in the conduct of the selection and nomination of Directors, makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules.

### Nomination Process

The nomination process has been, and will continue to be conducted in accordance with the Director Nomination Policy and Board Diversity Policy, which are available on the website of the Group. The Board will from time to time review these policies and monitor their implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Board candidates are selected based on merit and the contribution such candidate can bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Group and the benefits of various aspects of diversity, including gender, age, culture, ethnicity, educational background, professional experience and other factors that the Board may consider relevant from time to time towards achieving a diversified Board.

As noted above, the Nomination Committee will, on an ad hoc basis, establish a sub-committee when the need to select, nominate or re-elect Directors arises. In the determination of the suitability of a candidate, the sub-committee will have due regard to the benefits of various aspects of diversity in accordance with the Board Diversity Policy. If the Board determines that an additional or replacement Director is required, the sub-committee will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms. Where a retiring Director, being eligible, offers himself/herself for re-election, the sub-committee will consider and, if appropriate, recommend such retiring Director to stand for re-election. A circular containing the requisite information on retiring Directors will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Shareholders of the Company may also nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association of the Company and applicable laws and regulations. The procedures for such proposal are posted on the website of the Group.

The Nomination Committee held one meeting in 2019 with 100% attendance.

## Corporate Governance Report

Members	Attended/Eligible to Attend
Victor T K Li ( <i>Chairman</i> )	1/1
Fok Kin Ning, Canning	1/1
Frank John Sixt	1/1
Ip Tak Chuen, Edmond	1/1
Kam Hing Lam	1/1
Lai Kai Ming, Dominic	1/1
Edith Shih	1/1
Chow Kun Chee, Roland	1/1
Chow Woo Mo Fong, Susan	1/1
Lee Yeh Kwong, Charles	1/1
Leung Siu Hon	1/1
George Colin Magnus	1/1
Kwok Tun-ii, Stanley	1/1
Cheng Hoi Chuen, Vincent	1/1
Michael David Kadoorie	1/1
Lee Wai Mun, Rose	1/1
William Shurniak	1/1
Wong Chung Hin	1/1
Wong Yick-ming, Rosanna	1/1

During 2019, the Nomination Committee reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board, ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. The Committee also assessed the independence of all the Independent Non-executive Directors and considered all of them are independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the day-to-day management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. In connection with the re-election of Directors at the 2019 AGM, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Wong and Dr Wong was established to facilitate the Nomination Committee in the nomination process described above.

In February 2020, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Cheng and Dr Wong, was established to assist the Nomination Committee in selecting the Directors for retirement and re-election at the 2020 annual general meeting. It also assessed potential candidates for appointment as Independent Non-executive Director to replace a Director who retires and does not seek re-election. The sub-committee, having considered the potential contributions, the skills set, experience, expertise, independence and other factors of the candidates, recommended one candidate to the Nomination Committee.

## Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. Through its Executive Directors, the Group Corporate Affairs Department, Group Investor Relations Department and the GCSO, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. In 2019, about 300 meetings were held with institutional investors and analysts. The Shareholder Communication Policy, which is available on the Group's website, was adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board formalised and adopted a Dividend Policy for the Company which took effect from 1 January 2019 and it is committed to maintaining an optimal capital structure and investment grade credit ratings. The policy is pursued to deliver returns to shareholders whilst ensuring that adequate capital resources are available for business growth and investment opportunities. Subject to business conditions, market opportunities and maintenance of the Company's strong investment grade credit ratings, the Board aims to deliver a sustainable dividend that is in line with earnings improvement and long-term growth of the Company.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. The Memorandum and Articles of Association of the Company is published on the websites of the Group and HKEX. Moreover, additional information on the Group is also available to shareholders and stakeholders through the Investor Relations page on the Group's website.

Annual general meetings and other general meetings of the Company provide one of the primary forums for communication with shareholders and for shareholder participation. Such meetings provide shareholders with the opportunity to share their views and to meet the Board and certain members of senior management. Question and answer sessions at general meetings foster constructive dialogues between shareholders of the Company, Board members and management.

Shareholders are encouraged to participate at general meetings of the Company physically, or by proxy if they are unable to attend in person. Pursuant to Article 73 of the Articles of Association of the Company, any two or more shareholders (or one shareholder which is a recognised clearing house, or its nominee(s)) holding not less than one-tenth of the paid up share capital of the Company, carrying the right of voting at general meetings of the Company, have statutory rights to call for general meetings and to put forward agenda items for consideration by shareholders, by depositing at the principal place of business of the Company in Hong Kong a written request for such general meetings, signed by the shareholders concerned together with the objects of the meeting. The Board would within 21 days from the date of deposit of requisition convene the meeting to be held within a further 21 days.

All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Group's Hong Kong Share Registrar. The results of the poll are published on the websites of the Group and HKEX. In addition, regular updated financial, business and other information on the Group is made available to the shareholders and stakeholders on the Group's website.

The latest shareholders' meeting of the Company was the 2019 AGM which was held on 16 May 2019 at Harbour Grand Kowloon. The 2019 AGM was attended by all of the Directors (other than one Independent Non-executive Director who was not able to attend due to personal reason) and the external auditor. The respective chairman of the Board, Audit Committee, Remuneration Committee and Nomination Committee were all present. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing.

## Corporate Governance Report

Separate resolutions were proposed at the 2019 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 16 May 2019 are set out below:

Resolutions proposed at the 2019 AGM	Percentage of Votes
1 Adoption of the audited Financial Statements, the Reports of the Directors and the Independent Auditor for the year ended 31 December 2018	99.98%
2 Declaration of a final dividend	99.99%
3(a) Re-election of Mr Li Tzar Kuoi, Victor as a Director	84.84%
3(b) Re-election of Mr Frank John Sixt as a Director	69.45%
3(c) Re-election of Mrs Chow Woo Mo Fong, Susan as a Director	85.57%
3(d) Re-election of Mr George Colin Magnus as a Director	85.16%
3(e) Re-election of The Hon Sir Michael David Kadoorie as a Director	97.16%
3(f) Re-election of Ms Lee Wai Mun, Rose as a Director	99.52%
3(g) Re-election of Mr William Shurniak as a Director	97.17%
4 Appointment of Auditor and authorisation of Directors to fix the Auditor's remuneration	99.72%
5 Approval of the remuneration of Directors	99.97%
6(1) Granting of a general mandate to Directors to issue additional shares of the Company	98.53%
6(2) Approval of the repurchase by the Company of its own shares	99.89%

Accordingly, all resolutions put to shareholders at the 2019 AGM were passed. The results of the voting by poll were published on the websites of the Group and HKEX.

Other corporate information relating to the Company is set out in the Information for Shareholders section of this annual report. This includes, among others, dates for key corporate events for 2020 and public float capitalisation as at 31 December 2019.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Group Investor Relations or the Company Secretary by mail to 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong or by email at [ir@ckh.com.hk](mailto:ir@ckh.com.hk).

## Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to ESG responsibility and has established a committee, comprising Executive Directors and representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and to enhance the Group's ESG efforts.

This year, the Group further strengthened ESG reporting by expanding and prioritising Group-wide efforts and activities on ESG and will be publishing later in the year for the first time, a standalone ESG Report covering the financial year 2019. The Directors mandated the ESG Committee to deepen the ESG engagement by developing a pathway for more relevant reporting and setting coherent targets. The standalone report will provide more details of the Group's ESG efforts by business sector so that investors and stakeholders can have a more meaningful view of how ESG considerations are integrated into the risk assessment and investment decisions of the Group in the context of a sustainable business. As part of its ongoing ESG initiatives, the Group is currently reviewing, updating and refining its ESG-related policies with a view to ensuring that the policies, systems, processes and standards are in line with global best practice and trends. These include policies covering such areas as health and safety, the environment, green procurement, human rights, as well as the Group's approach to sustainability development. These, together with the Group's Governance Policies mentioned earlier (see pages 118 and 119 of this report for more details), form part of the Group's ESG governance framework. Details on the Group's performance in this regard and the relevant policies will be included in the standalone report. The Group is well aware of the interest of stakeholders, especially the investor community for additional disclosures. As the ESG rating and disclosure guidelines evolve, the Group's disclosures will be aligned accordingly.

The Group strives to integrate ESG considerations in its daily operations, both at the Group and business levels. Managing climate-related issues and emissions, and safeguarding environmental and natural resources are important issues for many of the Group's stakeholders. Reducing and controlling emissions of greenhouse gas (GHG) and waste remains a top priority for the Group.

At the business level, the Ports division adopted smarter operating processes and increased the number of electric and hybrid powercranes. The Yantian Port also rolled out shore power, which reduces container ship emissions at the port as they can tap into the electricity grid on-land. The Telecommunications division attached great importance on reducing energy consumption of cellular networks. The Infrastructure division launched a large-scale project 'H21' to support conversion of gas networks to carry 100% hydrogen.

By adopting Group-wide initiatives to safeguard environment and natural resources, Husky Energy deployed measures to minimise its impact on land and habitat, air and water, exploring innovative opportunities to responsibly reduce, recycle and re-use. HK Electric has been collecting rain water and plant processing water for reuse at the Lamma Power Station. All business units are encouraged to explore renewable energy (if applicable) and efficient uses of electricity.

Since 2014, ASW has been taking proactive steps to ban the use of micro plastic in its rinse-off own brand cosmetics and personal care scrub products. PARKNSHOP Hong Kong introduced concentrate refills and package optimisation to drive use of new formats and leverage conversion of existing refill packages through commercial activity. Where applicable, individual business units of the Group have in place policies and indicators in specific areas to encourage waste reduction, recycling and sustainability.

During the year, the Group continued its on-going efforts to carry on constructive dialogues and discussions with a variety of stakeholders. As the Group has a diverse range of businesses and operates in over 50 countries, maintaining a close dialogue with key stakeholders in each industry and geographical jurisdiction is critical when making business decisions and considering their potential ESG impact. Of particular importance are ESG issues that impact customers, shareholders, employees, banks, business partners, suppliers, regulators, the community as well as the environment in which the businesses operate.

The Group has a workforce of over 300,000 dedicated individuals worldwide who help the Group deliver quality products and services in a consistent and efficient manner. The Group aspires to be an employer of choice through competitive remuneration packages, continuous professional training, and safe and inclusive working environment. As part of the talent pipeline development, monthly in-house and external training courses and programmes covering a wide range of topics including technical skills development training, soft skills training and wellness programmes are provided to employees at all levels. Furthermore, Group companies work with educational institutions and professional institutions to inspire, train and mentor the younger generation for future careers with the Group. The Group follows a stringent anti-discriminatory employment policy by which staff members are hired without regard to race, gender, physical ability or religious faith.

With a history spanning over two centuries, many of the Group's customers have been key partners to the Group's businesses for many years. Service reliability and safety are important factors to keep the relationship vibrant. Additionally, the Group continues to employ new technologies to ensure that the quality and delivery of service are consistent, efficient and timely. The Group embraces a service oriented culture, which is crucial to sustainability of the business.

The Group's diversified businesses are supported by a wide range of suppliers and contractors whose businesses are interlinked with the Group's performance. Regular dialogues, responsible sourcing and oversight are important elements for the Group in understanding the needs of customers and conveying them to the suppliers, thereby creating positive change according to group requirements. The Group's policy strictly prohibits child labour or forced labour and rigorous measures and audits are conducted to prevent such practices in the Group's operations. Since 2016, ASW, as a member of the Mekong Club, utilises digital tools to raise awareness towards modern slavery for its business units and suppliers.

## Corporate Governance Report

Many of the Group's businesses operate in regulatory environments. Regulatory frameworks are closely analysed and monitored and internal policies are prepared and updated accordingly. Tailor-made workshops are conducted to strengthen awareness and understanding of internal controls and compliances procedures of the Group. In addition, refresher on ethical business practices are provided on a regular basis. Where appropriate, best practices are shared amongst Group companies to increase cross-fertilisation of ideas and know-how. Further, the Group internal audit function is responsible for independent assessment of the Group's ESG practices and relevant regulatory compliance.

The Group is not aware of any incidents of non-compliance with laws and regulations that has a significant impact on the Group concerning employment, occupational health and safety or labour standards, product responsibility, anti-corruption, air and water discharges, and generation of waste during the year. The Group's compliance with the relevant laws and regulations which have a significant impact on the Group are also provided on page 117 of this report.

By order of the Board

**Edith Shih**

*Executive Director and Company Secretary*

Hong Kong, 19 March 2020