

# 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



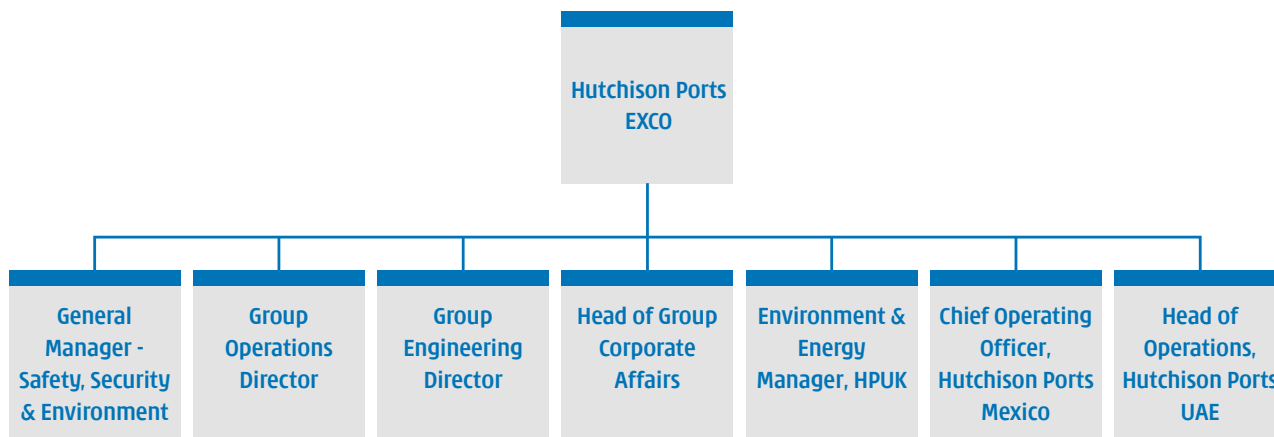
**20,058**  
EMPLOYEES  
(in subsidiaries)

## 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

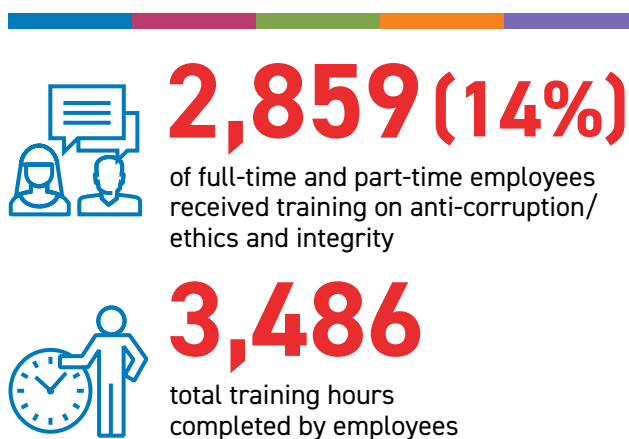
had translated the self-declaration form with a Chinese version to ensure employees are able to declare accurately.

#### 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.

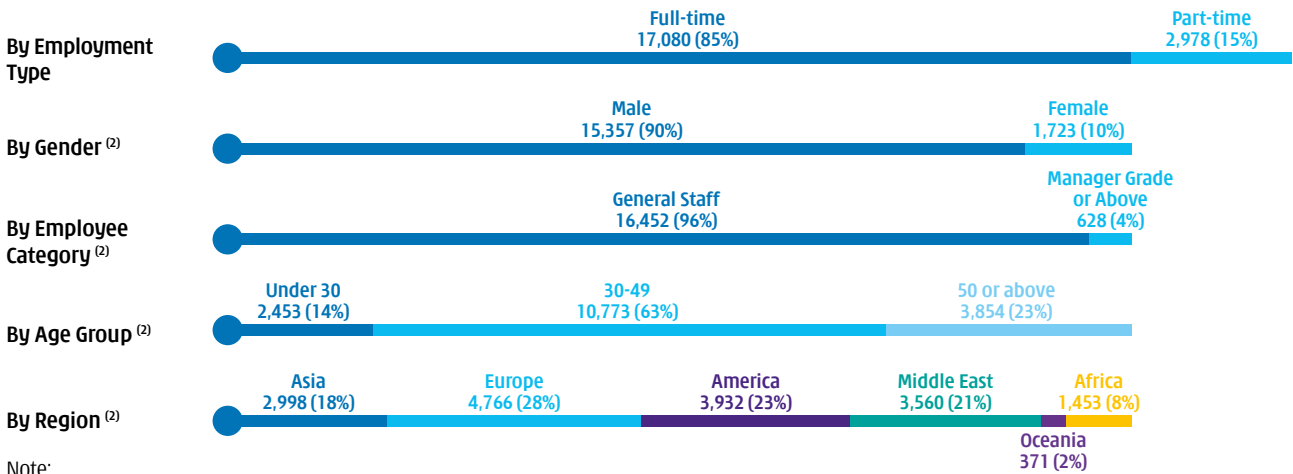
Hutchison Ports HIT is offering a range of opportunities to potential employees. In 2019 HIT established "Start Your Journey @ Port Programme", a programme that provides a series of learning opportunities for students who are pursuing tertiary education. It aims to increase students' knowledge and interest 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>

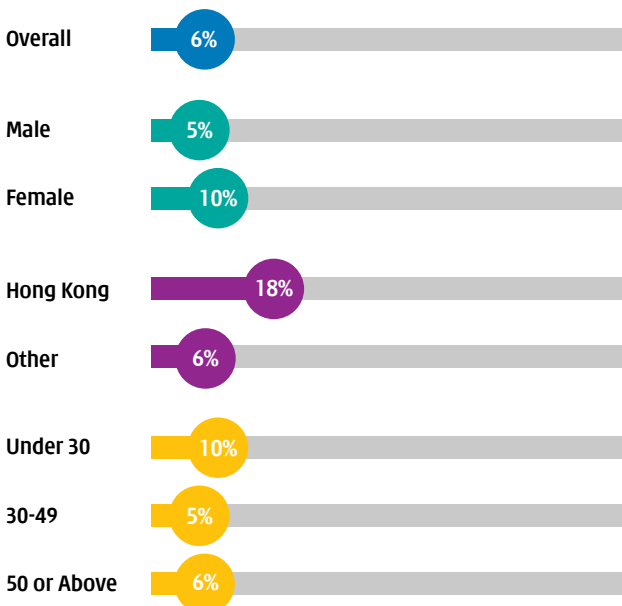


Note:

(1) Figures are as at 31 December 2019.

(2) Full-time employees only.

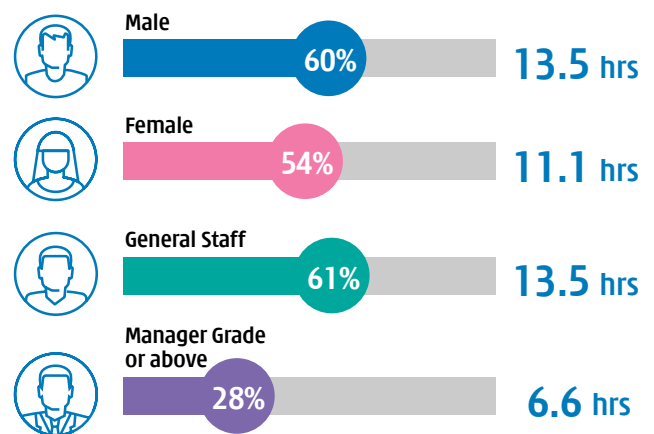
### Employee Turnover of Ports Division



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.

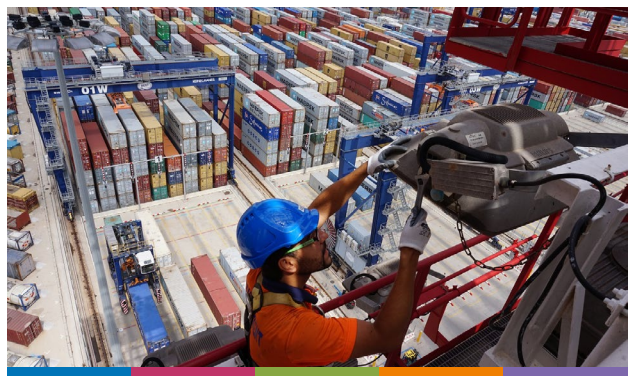
Hutchison Ports is now moving towards the continuous expansion of environmentally-friendly equipment fleet. In 2020, there will be 11 new fully electric RTGCs introduced to Hutchison Ports Pakistan, eight hybrid RTGCs at Hutchison Ports Sohar in Oman and eight fully electric RTGCs at Hutchison Ports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

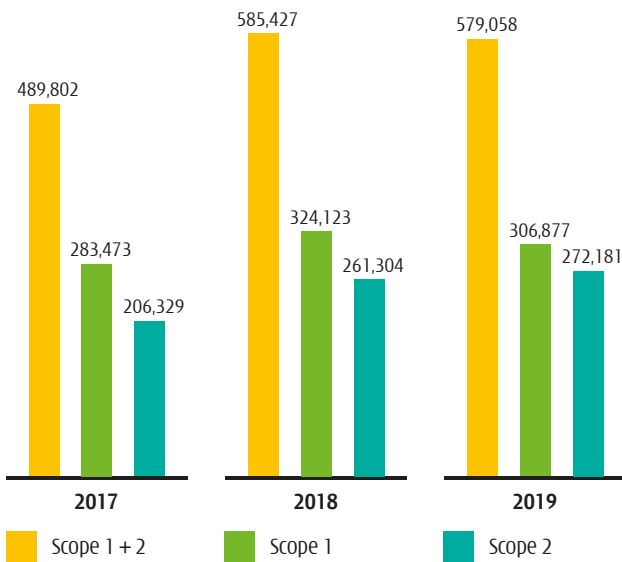
have plans to replace the lighting systems of their yard equipment into LED, while Hutchison Ports UK has a plan to replace the existing fluorescent bulbs to LED on their quay-side equipment.

**5.5.3.5. Application of Renewable Energy Sources**

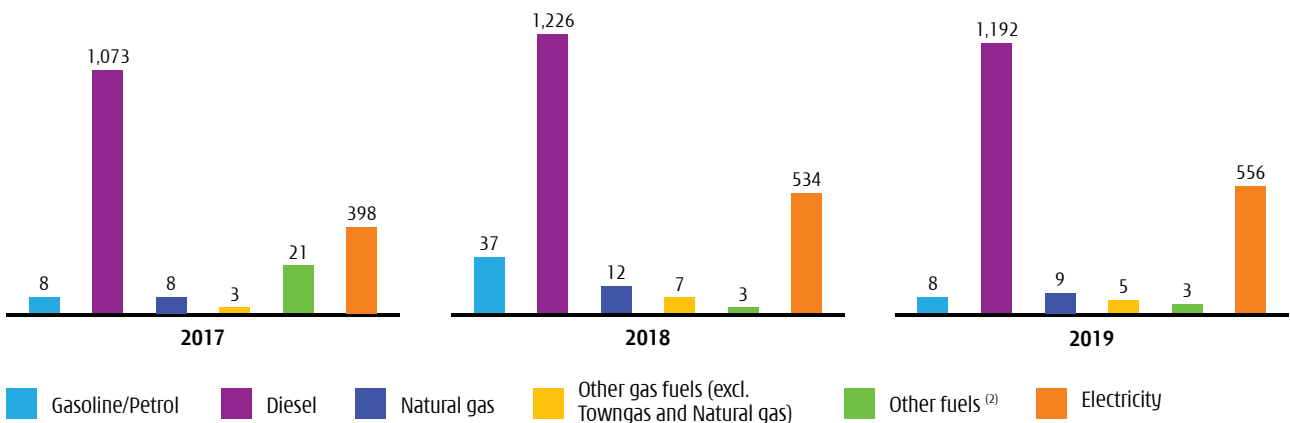
Hutchison Ports has been continuously seeking application of renewable energy in its ports.

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.