

SUSTAINABILITY AT CK HUTCHISON



Group Key Sustainability Mission:

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



Read more about
CK Hutchison's
Sustainability Policies

4.1. Sustainability Governance

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

The Group's Sustainability Governance



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

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

4.1.1. The Board

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

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

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

4.1.1.1. Sustainability Committee

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

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

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



Key responsibilities of the Sustainability Committee include:

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

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

Sustainability Related Expertise of the Sustainability Committee members:

Mr Frank Sixt

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

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

Ms Edith Shih

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

Dr Wong Yick-ming, Rosanna, DBE, JP

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

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

4.1.1.2. Audit Committee

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

4.1.1.3. Sustainability Working Group

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

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

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

Sustainability Working Group Members

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

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

4.1.1.4. Governance Working Group

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

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

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

Governance Working Group Members

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

4.1.1.5. Cyber Security Working Group

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

Key responsibilities include:

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

4.1.1.6. Core Businesses (Group Divisions)

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

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

Key responsibilities include:

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

4.1.1.7. Internal Audit (Group Management Services)

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

Key responsibilities include:

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

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

4.2. Approach to Sustainability

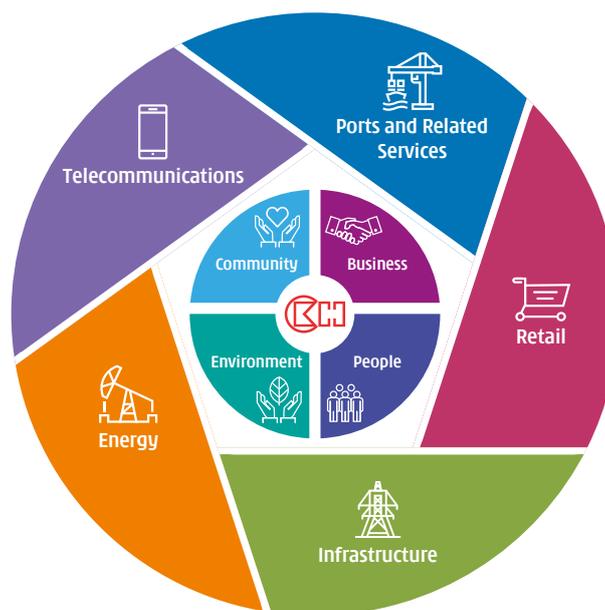
The Group is committed not just to its shareholders, but also to a wide range of stakeholders including employees, customers, suppliers, creditors, regulators and the community. Taking a proactive approach to sustainability is not only a part of the Group's heritage, inherent in the various strands of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

4.2.1. CSR Pillars and Policies

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

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

The Group's CSR Pillars



Business

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



People

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



Environment

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



Community

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

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

Pillars	Priorities	Policies
<ul style="list-style-type: none"> Enhancing long-term return for its shareholders. Focusing on sustainable development of its businesses and the communities it operates in. Complying with all relevant and applicable laws and regulations within its operational frameworks. Conducting business with uncompromising integrity. Safeguarding against unfair business practices. Achieving a high standard of corporate governance and emphasising a quality board, sound internal control, transparency and accountability to all stakeholders. 	<div data-bbox="694 392 853 436" style="text-align: center;">  Business </div> <ul style="list-style-type: none"> Sustainability Committee escalated as a Board committee and led by two Executive Directors and one Independent Non-executive Director to oversee sustainability processes. Continue and enhance Group-wide compliance with anti-bribery and corruption laws, tax compliance policies as well as data privacy and cyber security laws. Increase transparency on existing policies and procedures. Ensure fair and transparent tendering processes. Integrate sustainability objectives in global sourcing. Streamline processes, knowledge sharing and increase monitoring with respect to supplier through digital tools. Encourage use of digital tools to augment customer experience . 	<ul style="list-style-type: none"> Code of Conduct  Anti-Fraud and Anti-Bribery Policy  Information Security Policy  Policy on Appointment of Third Party Representatives  Policy on Personal Data Governance  Supplier Code of Conduct  Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control  Policy on Securities Dealing and Handling of Confidential and Price-Sensitive Inside Information  Board Diversity Policy  Director Nomination Policy  Shareholder Communication Policy  Competition Compliance Policy Policy on Financial Management and Procedures
<ul style="list-style-type: none"> Upholding a high standard of business ethics and personal conduct of its employees. Adhering to non-discriminatory employment practices and procedures. Providing a positive work environment that values the wide-ranging perspectives inherent in its diverse workforce. Fostering individual growth and achievement of business goals and offering a wide range of training and development programmes and interest courses and activities. Maintaining proper systems to ensure internal equity and external competitiveness of staff remuneration and recognition. Providing a safe workplace for all its employees. 	<div data-bbox="726 1299 853 1344" style="text-align: center;">  People </div> <ul style="list-style-type: none"> Retain and motivate talent with appropriate training. Promote a diverse culture. Improve workplace safety and well-being across the Group. Take immediate and effective measures to eradicate human trafficking and modern slavery. Work closely with suppliers to improve the working conditions in the supply chain. 	<ul style="list-style-type: none"> Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control  Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information  Health and Safety Policy  Human Rights Policy  Modern Slavery and Human Trafficking Statement  Supplier Code of Conduct  Code of Conduct  Anti-Fraud and Anti-Bribery Policy  Employment Policy

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

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

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

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

4.2.2. Stakeholders Engagement

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

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

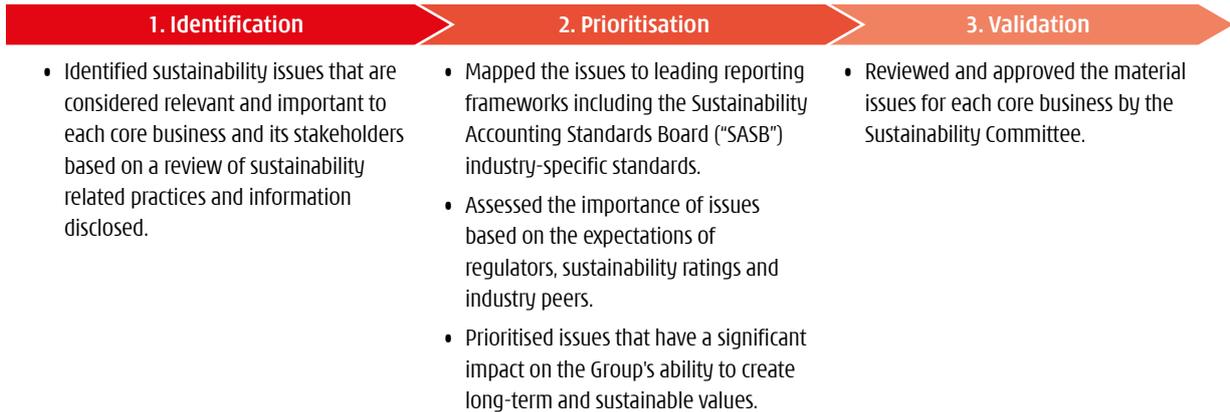
Key Stakeholders	How We Engage	
Business partners	<ul style="list-style-type: none"> On-site visits Physical and virtual meetings Regular business reports 	<ul style="list-style-type: none"> Regular gatherings and seminars Relationship-building events
Creditors	<ul style="list-style-type: none"> Announcements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

4.2.3. The Materiality Assessment Process

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

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

Materiality Assessment Process



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

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

 **Ports and Related Services**
 **Retail**
 **Infrastructure**
 **Energy**
 **Telecommunications**

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

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

4.3. Corporate Governance

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

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

4.3.1. The Board

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

4.3.1.1. Role of the Board

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

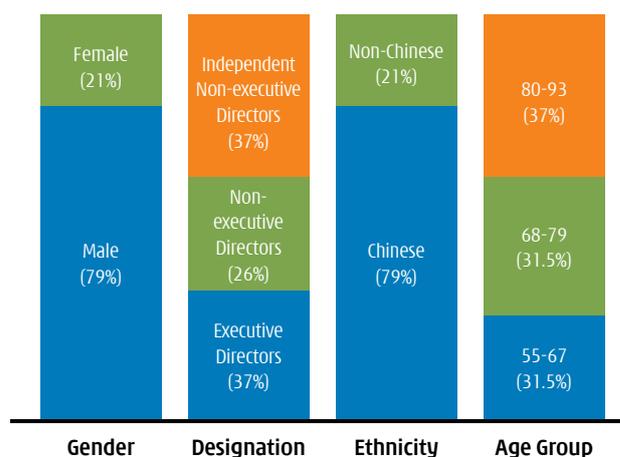
The Board, led by the Chairman, Mr Victor T K Li, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations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

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

4.3.1.2. Board Composition

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

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



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

4.3.1.3. Chairman and Group Co-Managing Directors

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

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

effective communication and ongoing engagement with shareholders and other stakeholders.

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

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

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

4.3.1.4. Board Effectiveness

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

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

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

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

4.3.1.5. Board Independence

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

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

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

4.3.1.6. Board Process

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

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

Directors	Board Meetings Attended/ Eligible to Attend	Attendance at 2019 AGM
Chairman		
Victor T K Li ⁽¹⁾ (Group Co-Managing Director)	4/4	✓
Executive Directors		
For Kin Ning, Canning (Group Co-Managing Director)	4/4	✓
Frank John Sixt (Group Finance Director and Deputy Managing Director)	4/4	✓
Ip Tak Chuen, Edmond (Deputy Managing Director)	4/4	✓
Kam Hing Lam ⁽¹⁾ (Deputy Managing Director)	4/4	✓
Lai Kai Ming, Dominic (Deputy Managing Director)	4/4	✓
Edith Shih	4/4	✓
Non-executive Directors		
Chow Kun Chee, Roland ⁽²⁾	4/4	✓
Chow Woo Mo Fong, Susan	4/4	✓
Lee Yeh Kwong, Charles	4/4	✓
Leung Siu Hon ⁽²⁾	4/4	✓
George Colin Magnus	4/4	✓
Independent Non-executive Directors		
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 ⁽³⁾	4/4	✓
Wong Yick-ming, Rosanna	4/4	✓

Notes:

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

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

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

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

4.3.1.7. Board Committees

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

The following table summarises the composition of board committees:

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

4.3.1.8. Audit Committee

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

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

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

4.3.1.9. Remuneration Committee

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

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

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

4.3.1.10. Nomination Committee

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

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

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

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

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

4.3.1.11. Sustainability Committee

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

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

4.3.2. Risk Management

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

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

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

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

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

4.3.3. Internal Control Environment

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

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

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

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

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

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

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

4.3.4. Ethics and Integrity

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

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

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



4.3.4.1. Governance Policies

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

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

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

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

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

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

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

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

4.3.4.2. Communication and Training

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

4.3.4.3. Due Diligence

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

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

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

For more information, please refer to the [📄](#) Anti-Fraud and Anti-Bribery Policy and [📄](#) Policy on Appointment of Third Party Representatives.

4.3.4.4. Ongoing Assessment

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

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

4.3.4.5. Monitoring and Review

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

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

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

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

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

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

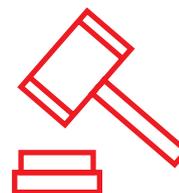
Reporting and Investigation Procedures



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



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



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

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



Read more about
CK Hutchison Corporate
Governance Policies