

# SUSTAINABILITY AT CK HUTCHISON

## Reporting on what matters

### Stakeholder engagement

Understanding stakeholder views is crucial to defining a strategy that has the interests of society and the environment at heart. The outcomes of ongoing stakeholder engagement have been instrumental in setting the Group's ongoing strategy development.

As the Group has a diverse range of businesses and operates in about 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 sustainability impact.

The Group has a broad range of stakeholders that are engaged on an ongoing basis through a variety of channels such as meetings, liaison groups, panel discussions, workshops and surveys, in order to understand their views and better meet their expectations. These include:

- Employees;
- Customers;
- Suppliers and business partners;
- Shareholders and investors;
- Banks and creditors;
- Governments and regulators;
- Local communities; and
- Non-government organisations.

### Materiality assessment

Each of the Group's core businesses faces different sustainability challenges and therefore requires an individualised and tailored approach to sustainability impact assessment and prioritisation.

The Group's materiality assessment is an iterative process that is updated with new information and emerging trends by way of a three-step process: identification, prioritisation and validation.

In 2020 the following steps were undertaken:

#### 1. Identification:

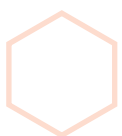
- Identified potential sustainability issues relevant to the Group referencing:
  - Material issues covered in industry-specific materiality frameworks such as the Global Reporting Initiative ("GRI") Standards and the Sustainable Accounting Standards Board ("SASB") Standards;
  - The United Nations Sustainable Development Goals as well as the resources contained within the Blueprint for Business Leadership on the SDGs;
  - ESG Ratings Reports; and
  - Research on emerging issues and global socio-economic trends.

#### 2. Prioritisation:

- Worked with core businesses to consider material issues with regard to their influence on business success;
- Issued questionnaires and conducted one-to-one interviews with stakeholders to understand the importance of these issues to them; and
- Prioritised issues that have a significant impact on the Group's ability to create long-term and sustainable value.

#### 3. Validation:

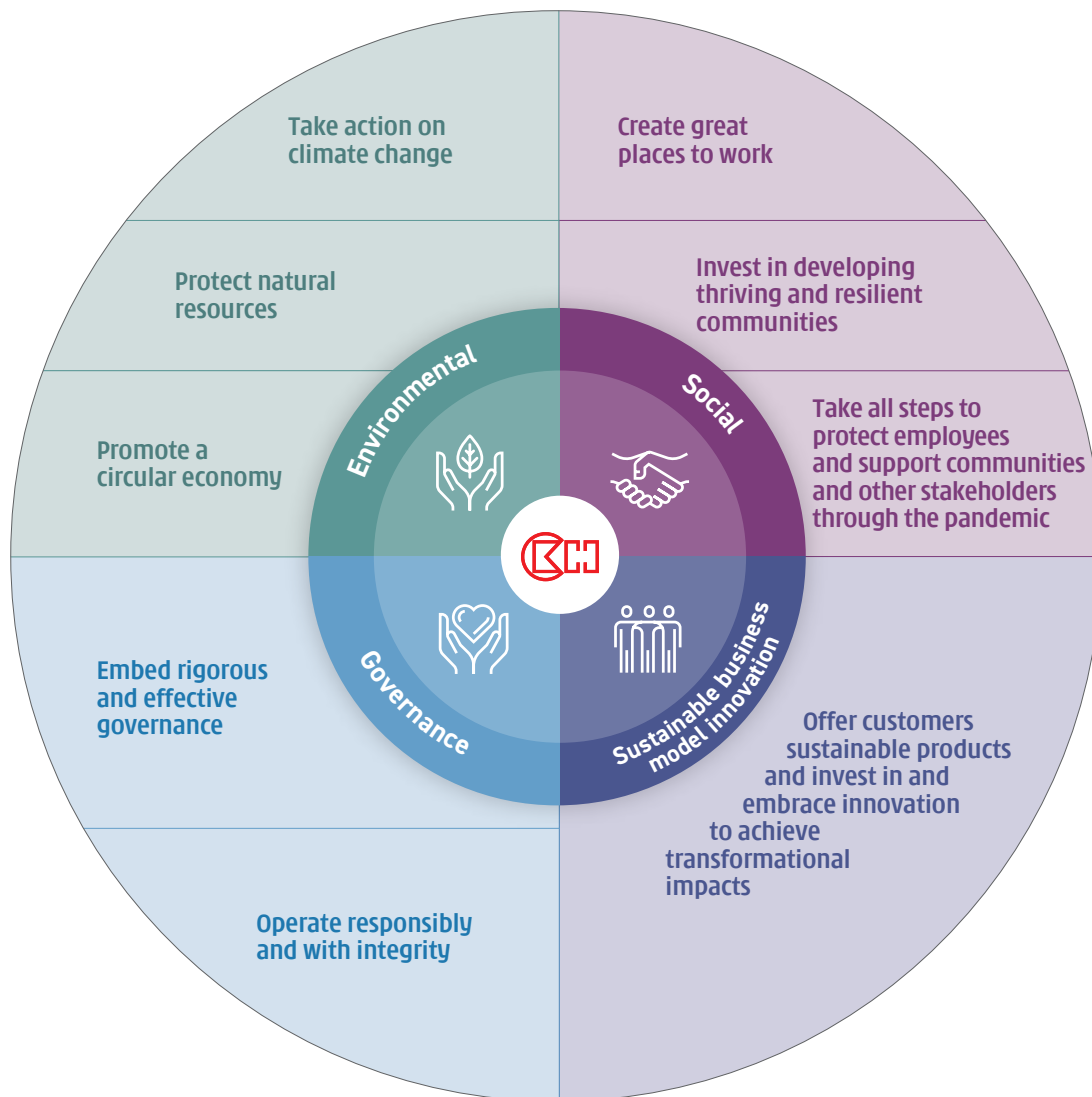
- Reviewed and approved the material issues with the cross-departmental Sustainability Working Group and the Sustainability Committee.



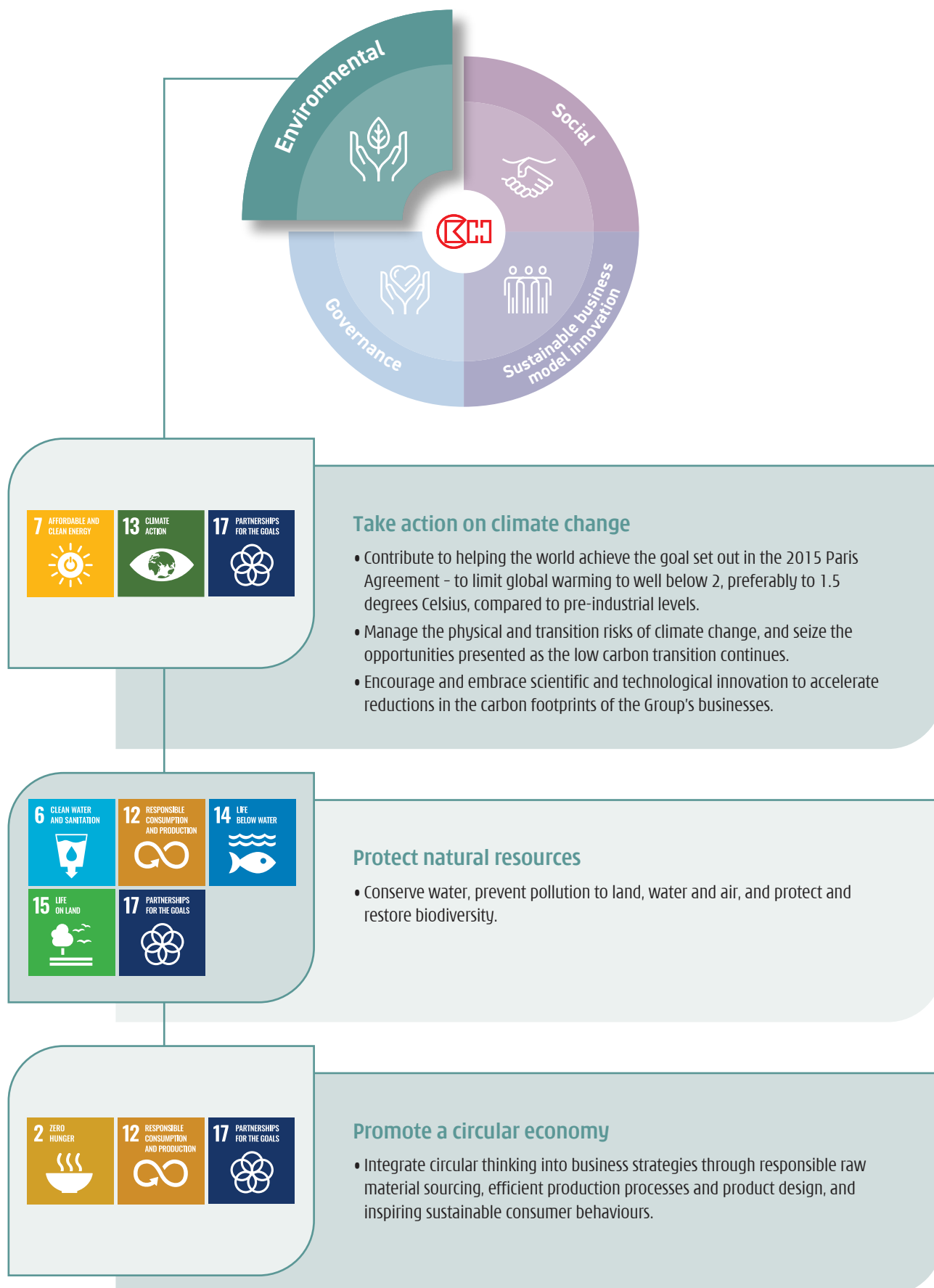
## Group Sustainability Framework

Following this three-step process and reviewing the division-level materiality analyses, the following Sustainability Framework has been developed at the Group-level, including four pillars and nine goals that will form the foundational approach of the Group going forward. The pillars - Environmental, Social, Governance and Sustainable Business Model Innovation - are an enhancement of the previous four pillars identified by the Group in the 2019 Sustainability Report - People, Environment, Business and Community.

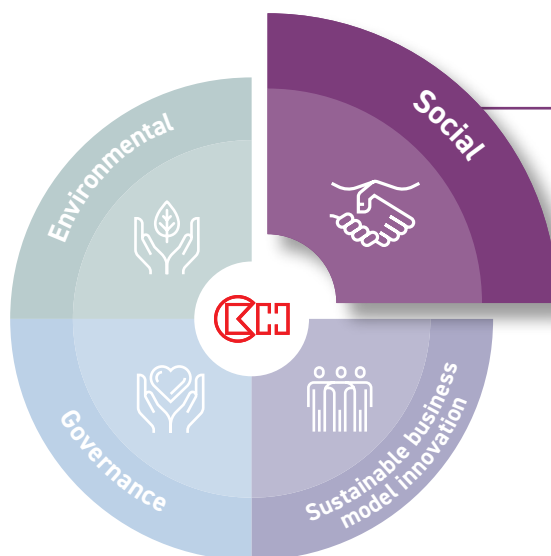
The Sustainability Framework is explored in more detail on pages 7-9, including how each goal is mapped to the relevant SDGs.



## Environmental goals and SDG mapping



## Social goals and SDG mapping



### Create great places to work

- Attract, develop and retain a high-performing and engaged workforce.
- Make work an equitable, diverse and inclusive environment that reflects the diversity of the communities in which the Group operates.
- Promote zero harm and healthy workplaces.



### Invest in developing thriving and resilient communities

- Deliver business growth that benefits the communities in which the Group operates.
- Invest in programmes for meaningful impact and foster long-term relationships.

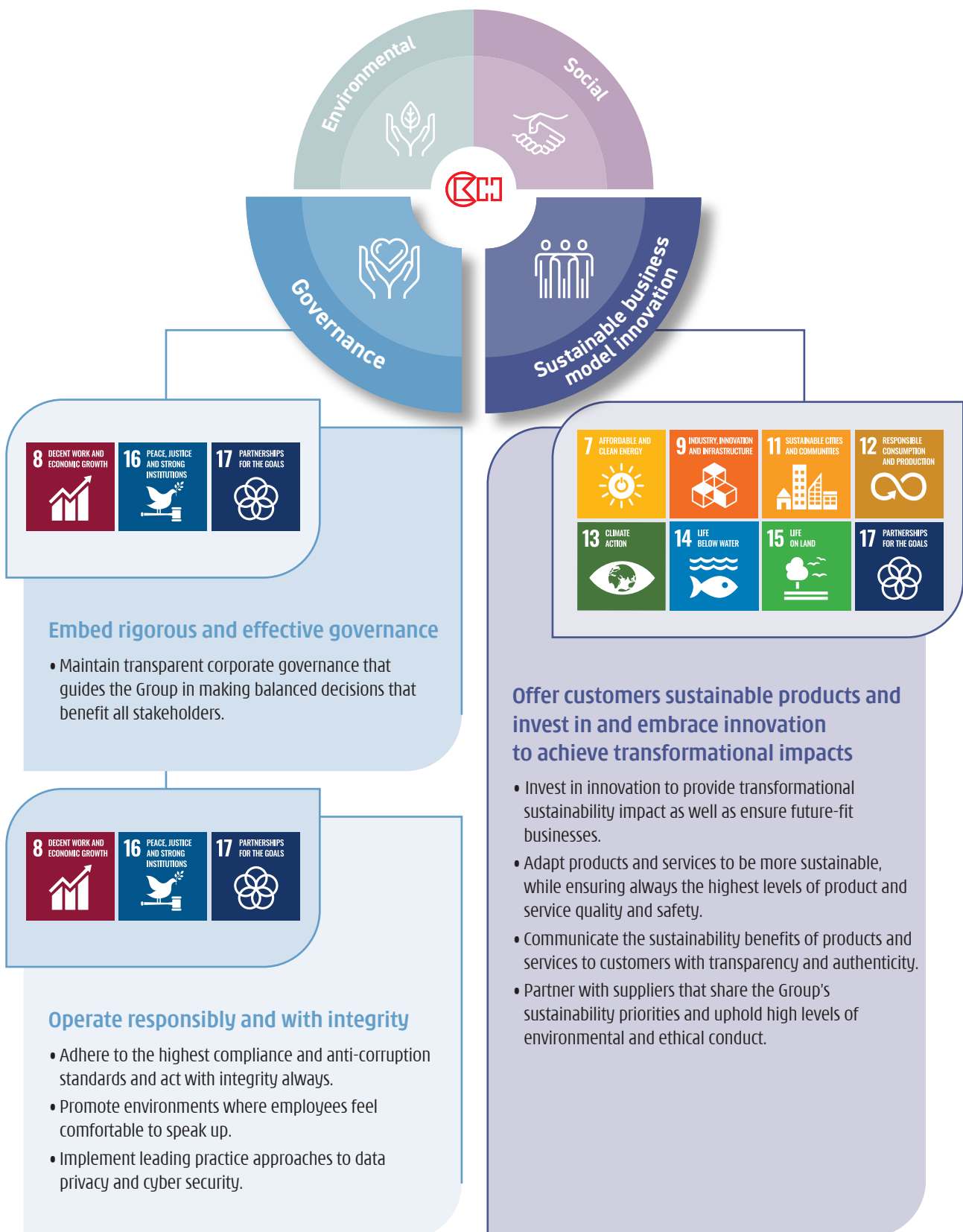


### Take all steps to protect employees and support communities and other stakeholders through the pandemic

- Keep employees safe; provide employees with the tools and support to successfully work from home; support employee wellbeing.
- Protect the health and wellbeing of customers.
- Maintain focus to supporting healthcare services globally and the needs of the vulnerable.
- Prioritise health and wellness over profit whenever and wherever the Group's employees or communities are at risk.



## Governance and Sustainable business model innovation goals and SDG mapping



How these goals are achieved across the Group will differ depending on the nature of the business sectors and geographies in which each core business operates. While this report is focused on material information, further information on how each goal is being addressed can be found in the sustainability section of the Group's corporate website, which is updated regularly to take account of the most current developments.

In addition, four goals have been prioritised as Group-wide focus areas for 2021-22, including:

1. Take action on climate change;
2. Offer customers sustainable products and invest in and embrace innovation to achieve transformational impacts;
3. Create great places to work; and
4. Take all steps to protect employees and support communities and other stakeholders through the pandemic.

While the goal – Take all steps to protect employees and support communities and other stakeholders through the pandemic – is not a perpetual goal as in the case of the others, it has been individually listed given the significance of the pandemic and to ensure maximum focus as the world continues its recovery.

Progress and strategies to address each of these four goals at the Group-level are discussed next. This is followed by individual sections for each core business explaining how the priorities of the Group are being addressed in the sectors and geographies in which they operate.

## Priority goal 1: Take action on climate change

### Why is this important to the Group?

The Group believes that urgent and sustained action is required to address the climate emergency and to meet the goal of the 2015 Paris Agreement.

### What progress has been made?

Addressing climate change requires a systems-thinking approach and a complex web of actions. Ongoing actions that are consistent focus areas across the Group include:

- Creating operational efficiencies to reduce greenhouse gas emissions as much as possible;
- Increasing the uptake of renewable energy; and
- Engaging with supply chain partners and customers to encourage change in consumption behaviours.

In addition, the Group has also developed many products and services that are enabling the low carbon transition which will be discussed in the next priority goal's section.

Each of the core businesses has made progress in carbon reduction target setting, however these will be updated as the businesses assess their respective pathways to net zero and set nearer term goals that are ideally Paris-aligned, if not done already.

These carbon reduction targets are as follows:

### Ports:

- Reduce total CO<sub>2</sub>e/TEU by 3% cumulatively from 2021-2023 through reductions in total diesel use and 11% by 2030 versus 2021.

### Retail:

- Reduce scope 1 and 2 emissions by 40% by 2030 versus a 2015 baseline.

### Infrastructure:

#### Australian Gas Infrastructure Group

- 10% renewable gas in networks by no later than 2030, delivering 100% renewable gas developments from 2025. Full decarbonisation of networks is targeted by no later than 2050, and by 2040 as a stretch target.

#### AVR Afvalverwerking BV

- Achieve net zero in operations by 2050.

#### ista

- Achieve net zero in scopes 1, 2 and 3 by 2050.

#### Northumbrian Water

- Achieve net zero in operations by 2027.

#### Northern Gas Networks

- Achieve net zero in operations by 2031 (excluding gas shrinkage) and 2050 (including gas shrinkage), in line with the UK net zero commitment.

#### SA Power Networks

- Achieve net zero in operations by 2050 in line with the State Government target in South Australia.

#### UK Power Networks ("UKPN")

- Reduce the business carbon footprint by 2% per annum. UKPN is currently in the process of setting a target which will be validated by the Science Based Target Initiative in 2021.

#### Wales & West Utilities

- Become a net zero ready carbon emission network by 2035.
- Reduce GHG emissions by 37.5% by 2035 versus 2020.



### Telecommunications:

- CK Hutchison Group Telecom is currently in the process of setting a target which will be validated by the Science Based Target Initiative in 2021.

Group-wide actions that are continuously being taken to create operational efficiencies have resulted in the Group achieving an absolute emissions reduction of 4% in scope 1 and 2 emissions in 2020 versus 2019, and 7% versus 2018. In the case of Retail, which accounts for 4% of total emissions of the Group, most of the 2020 emissions reductions were attributed to the lockdown with stores being closed. Other Group-wide operations, which account for 96% of total Group emissions, were for the most part sustained as a result of the Group's businesses being identified as critical services and therefore the stated reductions are principally attributable to the carbon reduction efforts of the Group.

In 2020, the Ports division saw the most significant decline in emissions among the Group's core businesses, reducing absolute scope 1 and 2 emissions by 13%, helped to a large degree by its ongoing global programme to convert its fleet and infrastructure from diesel-powered to electric. The Ports division has already converted 66% of its fleet of rubber-tired gantry cranes to electric alternatives which is significant given that approximately 40% of fuel consumption at a typical port is attributed to these large structures. As similar in all core businesses, LED lighting upgrades, HVAC optimisation and behavioural change campaigns are other areas that contributed to emissions reduction.

On the other hand, the Telecommunications division saw a 3% increase in emissions as a result of the exponential increase in data traffic and energy needs of the network during the pandemic with more people working and interacting online from home.

Taking steps to align its climate action strategy to leading practice frameworks, CK Hutchison Group Telecom is currently setting a science-based target, calculating scope 3 emissions as well as reviewing approaches against the Taskforce on Climate-related Financial Disclosures ("TCFD") recommendations with the help of a third party expert.

The procurement of 100% renewable electricity contracts in key markets across Europe continued to make progress in 2020 for all core businesses. The Retail division has deployed 100% renewable energy in three major European markets including the UK, Belgium and Netherlands such that Superdrug, Savers, The Perfume Shop, Kruidvat, Trekpleister and ICI Paris XL are all powered entirely by green electricity. The percentage of renewable electricity across the Group remains at 10% however. While there are often barriers locally owing to a lack of renewable electricity options in particularly Asian markets, the Group is currently assessing the maturity of the renewable energy markets in which it operates to understand how this level of uptake can be materially changed.



## What does the Group plan to do?

The Group is currently working on a new climate change strategy. To help the Group in defining this strategy, all core businesses will be undertaking the following assessments and actions:

Action	Milestone
Every core business to assess the pathway to net zero: how quickly can it get there and what barriers are in place?	Report on progress made in the 2021 Report.
Every core business to assess the pathway to setting a Paris-aligned target that is ideally validated by the Science Based Target Initiative.	Report on progress made in the 2021 Report.
Every core business to calculate scope 3 emissions.	Report on progress made in the 2021 Report.
Every core business to report on progress using the Taskforce on Climate-related Financial Disclosures framework (TCFD).	Report on progress made in the 2021 Report.

## Priority goal 2: Offer customers sustainable products and invest in and embrace innovation to achieve transformational impacts

### Why is this important to the Group?

The Business & Sustainable Development Commission estimates that there is a [US\\$12 trillion](#) <sup>(1)</sup> worth of savings and revenues available to those seeking to meaningfully address the 2030 agenda embodied in the SDGs. This therefore suggests that business opportunity and impact on the SDGs are not mutually exclusive, but rather they go hand in hand. In other words, business cannot thrive unless people and planet thrive.

The Group is increasingly aware that consumer trends are changing in favour of more sustainable products and services, but also that there is some progress that needs to be made to close the gap between consumer intention and action. For example, in a [survey](#) <sup>(2)</sup> by the Harvard Business Review, 65% of consumers said they want to buy purpose-driven brands that advocate sustainability, yet only 26% actually do due to barriers such as higher prices and lack of convenience. Nevertheless, it is clear that with the right ingredients, sustainability offers clear opportunities in creating competitive advantage.

Governments and municipalities are also important customers of the Group, and with many countries around the world committing to net zero, helping them achieve this goal presents a significant opportunity for the Group, particularly to the Infrastructure division.

### What progress has been made?

Each of the core businesses are taking substantial steps to offer more sustainable products and services and innovate to create transformational impact, but in different ways unique to their industries and customer base.

To communicate the sustainability benefits of the products it offers, the Retail division has developed a number of product lines and platforms that enable customers to shop according to their sustainability values and preferences. For example, Sustainable Choices, a filter and labelling mechanism, was launched in 2020 to provide customers choice in four categories: Clean Beauty; Refill; Better Ingredients and Better Packaging. Many of the division's retail brands are working to provide products that address other consumer preferences such as plant-based and inclusive products, and importantly at affordable prices.



Through the very nature of its business, the Infrastructure division contributes to a low carbon future through its leadership in hydrogen, solar, waste-to-energy, carbon capture and storage, circular economy approaches and smart city developments. Many of these businesses are based in countries where net zero has been written into legislation and they have been working in partnership with governments to help deliver on an emissions-free future.

Note 1: "Sustainable business can unlock at least US\$12 trillion in new market value, and repair economic system", available at: [www.businesscommission.org](http://www.businesscommission.org)

Note 2: "The Elusive Green Consumer", available at: [www.hbr.org](http://www.hbr.org)



A particularly important area of innovation is the role played by the Group in hydrogen development. For example, Northern Gas Networks is leading on a collaborative gas industry programme to test the feasibility of converting the entire UK gas network to a hydrogen-powered network. Australian Gas Infrastructure Group has also led the industry in Australia through delivering natural gas blended with 5% green hydrogen to communities in South Australia, a mix that will be increased to 10% in the near future with the ultimate stretch aim of eventually 100% green hydrogen. The Ports division is also playing its part in ushering in the hydrogen era by collaborating on a project at Freeport East in the UK to develop it into a world-leading green hydrogen hub, generating a planned 20% of the 5GW target in the UK's Ten Point Plan for a Green Industrial Revolution.

A report <sup>(3)</sup> produced by Deloitte and GeSI found that digital technologies could have a transformational impact on the world's ability to meet the 2030 Agenda and the SDGs, specifically finding that of the 169 SDG targets, 103 are directly influenced by digital technologies. The Telecommunications division's ongoing development of 5G connected technologies is releasing a wave of low carbon innovation across many other sectors of industry and society such as utilities and transportation. The Telecommunications division is also partnering with the Ports division to deploy 5G and Internet of Things ("IoT") at the Hutchison Ports Port of Felixstowe to develop cutting-edge smart port technology. The Ports division is further deploying a range of latest digital technologies including Artificial Intelligence, blockchain, remote-controlled equipment and autonomous trucking, among others, which can provide significant efficiencies in operations, emissions reduction and enable safer work environments.

Note 3: "Digital with Purpose: Delivering a SMARTer2030", available at [www.gesi.org](http://www.gesi.org)

Transformational impact does not happen in a silo. The core businesses are working together with a view to leveraging synergies to accelerate positive impact. Working with external experts, peers and other external organisations with the same goals also helps to reduce wasted efforts and promote collaboration.

While outside of this report's scope, the Group has other investments and joint ventures with companies that are developing innovations to address many other sustainability challenges. For example, Hutchison Water, a global leader in water and Cleantech investments, is addressing water stress through:

- The Sorek sea water reverse osmosis desalination plant which supplies over 20% of the potable water needs of Israel, a country suffering from chronic water stress;
- Hutchison Water is further developing Israel's largest hydroelectric pumped storage plant in the north of Israel to produce 344 MW of renewable electricity; and
- Investments in Aquarius-Spectrum and HydroSpin enable better leak and water monitoring to make smarter, more efficient water networks.

As another example, and turning to the field of health, HUTCHMED is an innovative, commercial-stage biopharmaceutical company dedicated to the treatment of complex diseases such as cancer and immunological conditions. With a dedicated team of over 1,300 employees, HUTCHMED has advanced 10 cancer drug candidates from in-house discovery into clinical studies around the world, with its first three oncology drugs now approved. HUTCHMED is dedicated to researching and developing diseases with unmet medical needs, often for diseases for which patients otherwise have few alternatives.

## What does the Group plan to do?

Coming out of the pandemic, the world has an opportunity to shape long-lasting and meaningful change by building back better. Following this crisis, there will be even further opportunity to partner with the public and private sector in creating this step change. To ensure these opportunities are leveraged and effectively monitored, the following actions have been adopted:

Action	Milestone
1. Every core business to assess and expand sustainable product and service offerings and communicate benefits to customers.	Report on progress made in the 2021 Report.
2. Every core business to track the following Key Performance Indicators ("KPI"): <ul style="list-style-type: none"> <li>• Revenue generated from sustainable business opportunities; and</li> <li>• Capex spend on sustainability.</li> </ul>	Report on progress made in the 2021 Report.

## The Li Ka Shing Foundation

Another source of innovation for the Group is access to the extensive philanthropic network and portfolio of innovative companies in which early stage investments have been made by the Li Ka Shing Foundation through Horizons Ventures. Mr Li Ka-shing, the Group's founder and Senior Advisor, is well known as a leading investor in innovation and disruptive technologies. Over time, the Li Ka Shing Foundation has developed one of the world's most extensive portfolios of investments that address many of the pressing sustainability challenges of today. Among many investments, the Li Ka Shing Foundation has been a significant backer of the following start-ups:

- ZeroAvia, working to develop zero-emissions aviation;
- Syzygy Plasmonics, developing a platform for cost-efficient localised production of green hydrogen;
- Algiknit, seeking to transform the fashion ecosystem with rapidly renewable bio-based textiles; and

- Soil Carbon Co, developing technology to increase crop yields as well as the carbon capture and sequestration associated with major grain crops.

The Group partners with portfolio companies sponsored by the Li Ka Shing Foundation to use its business to act as incubators and spring boards for these innovations, for example, distributing Impossible products and Perfect Day ice cream through PARKnSHOP.

The Foundation was also an early founding sponsor of Zoom, the now well-known communications platform for video and audio conferencing. The Group has adopted Zoom as a Group standard for meetings and collaboration, an approach which has and will continue to reduce the Group's carbon footprint through avoided travel.

## Priority goal 3: Create great places to work

### Why is this important to the Group?

The Group has over 300,000 employees and therefore has a very important role to play in being a responsible employer. These are 300,000 individuals, all with their own hopes, motivations and objectives. The long-term success of the Group depends on their dedication and engagement. This is not won over lightly and relies on creating a trusting, supportive and rewarding workplace culture.

### What progress has been made?

The Group aspires to be an employer of choice through competitive remuneration packages, continuous professional training, and a safe and inclusive working environment.

Listening to employees is fundamental. Employee engagement is carried out in different ways depending on the business with engagement surveys conducted at least bi-annually, and supplemented with ad hoc surveys to address discrete events and trends, for example understanding employee health and wellbeing during the pandemic.

Targeted learning and development programmes address everyone from senior management to line level employees. Ensuring employees are prepared as the future of work changes, the Retail division has launched the Digital Fitness Programme and the Digital Learning Faculty to ensure the continuous refresh of training material in keeping pace with the digital transformation. Employees in the Ports division also have the opportunity to retrain in the latest smart port technologies; for example, crane operators are being trained in autonomous crane operations.

The Group also aims to create a pipeline of future talent by inspiring young people to consider careers within the diverse industry segments of the Group and it does this through internship programmes, career days and encouraging management to present at universities.



Port visit by university students

Driving a culture that is inclusive and diverse creates a win-win for society and the Group because it:

- Improves the ability of the Group to hire from a wider talent pool and ultimately find the best talent;
- Creates an environment for improved decision making;
- Strengthens people engagement by creating a culture of belongingness which ultimately feeds into productivity and retention; and
- Enhances the capacity of the Group to innovate and deliver products and services to a wider customer base.

Testament to the efforts the businesses have made in this area, a number of recognitions were received and pledges made in 2020:

- Hutchison Ports Port of Felixstowe became the first major UK port to gain the Women in Maritime Charter Status;
- Superdrug was recognised as one of the most inclusive companies in Europe in the Financial Times Diversity Leaders ranking and Superdrug & Savers were placed in the Social Mobility Employer Index identifying UK employers dedicated to social mobility;
- UKPN was ranked third on the list of the Inclusive Top 50 UK employers and also retained its National Equality Standard accreditation;
- NGN committed to the UK's Social Mobility Pledge; and
- 3 Ireland achieved a Silver rating in Investors In Diversity Award.

### What does the Group plan to do?

As this goal, Create great places to work, is a broad and expansive area, two areas of focus for 2021-2022 have been identified for action: inclusion and diversity, and employee engagement. Over time, new areas of focus and further actions will be adopted.

Action	Milestone
1. Every core business to have inclusion and diversity goals/targets in place.	Report on progress made in the 2021 Report.
2. Every core business to track the following KPIs: <ul style="list-style-type: none"> <li>• Gender split of employees in managerial positions;</li> <li>• Gender split of employees in executive management;</li> <li>• Gender split of newly hired employees; and</li> <li>• Average years employed by the company by gender.</li> </ul>	Report on progress made in the 2021 Report.
3. Every core business to present action plans to track and improve employee engagement, short-term and long-term.	Report on progress made in the 2021 Report.

## Priority goal 4 : Take all steps to protect employees and support communities and other stakeholders through the pandemic

### Why is this important to the Group?

The COVID-19 crisis has had devastating socio-economic consequences globally. It has not only left millions without their loved ones and livelihoods, but it has also been a humanitarian crisis that has affected vulnerable people most severely and disproportionately.

Acknowledging that global recovery will be long, and will require every actor of society to do its part, every core business is focused on taking all steps possible to protect employees and support communities, among which are the Group's customers, as well as other stakeholders.

### What progress has the Group made?

Employee health and wellbeing has been, and will continue to be, the Group's number one priority. Throughout the pandemic, wherever possible, the Group has distributed masks daily to its employees, ensured workplace sanitising measures, and conducted temperature checks and onsite rapid COVID-19 testing. The Group implemented flexible and hybrid working policies, along with the necessary IT support, to fit the needs of employees. Employee wellness programmes were also rolled out focusing on managing anxiety, staying active and keeping connected during lockdowns. Amongst employees caseloads of the Group, hospital admissions and morbidity have trended well below national averages throughout the pandemic.

Supporting customers and communities has also been on the top of the Group's agenda. Retail customers have been protected through rigorous social distancing measures such as including floor markings indicating 1.5m distancing, one-way walking routes, protective screens, cleaning stations, customer information points and expanded online shopping options. Telecommunications customers in various countries were offered free data access and calls to healthcare support websites and hotlines, and customers working on the frontline were further supported with unlimited mobile data, voice calls and texts. Financial relief packages were also offered through the Infrastructure division; the businesses in Australia, for example, deferred electricity network charges for customers experiencing hardship.



Sanitising shops during the pandemic

Across the Group, the core businesses supported healthcare services as they faced equipment shortages and increasing patient caseloads. The Ports division funded the construction of independent air-conditioning systems for COVID-19 hospital wards in Thailand and donated hospital beds and ventilators for intensive care units in Panama. The Group further donated personal protective equipment ("PPE") and financial support to hospitals in Mainland China, Hong Kong, Italy, the UK and Malaysia, and in response to the unstable global supply of hygienic face masks, the Group transformed part of its bottled water manufacturing factory in Hong Kong into a safe environment for mask production. To assist with the challenge of a global vaccine rollout, the Retail division became one of several high-street retailers in the UK to support the UK Government's vaccine rollout increasing accessibility to local communities.

To support local businesses and school children needing to make the switch to online learning, the Telecommunications division donated internet packages to small and medium enterprises in Austria, Zoom classroom accounts to families in Hong Kong, tablets, internet access and school materials to underprivileged families in Italy, and 15,000 SIM cards with unlimited data to 160 schools around Ireland. <sup>3</sup> UK also collaborated with the UK's Ministry of Justice to zero-rate access to victim support and domestic abuse services in addition to the UK's Department for Education to give disadvantaged children unlimited data to enable online learning from home. The volunteer teams at the Ports division also worked to deliver food packages and other personal protective necessities to communities in areas that have been hit hardest by the pandemic in Pakistan, the UK, Hong Kong, Spain and Panama.

### What does the Group plan to do?

Action	Milestone
Employees: Keep employees safe; provide employees with the tools and support to successfully work from home; support employee wellbeing.	Report on progress made in the 2021 Report.
Customers: Protect the health and wellbeing of customers.	Report on progress made in the 2021 Report.
Communities: Maintain focus to supporting healthcare services globally and the needs of the vulnerable.	Report on progress made in the 2021 Report.

## Next steps in strategy development

Throughout 2021, the Group will be undertaking a new strategy development process working in partnership with the core businesses to accelerate progress. The above-mentioned actions are part of this process.

Further actions to streamline Group-wide approaches have also been identified and are as follows:

Action	Milestone
Build sustainability incentives plan by linking sustainability goals to performance metrics and compensations schemes.	Report on progress made in the 2021 Report.
Develop a Group-wide sustainability employee engagement plan, enabling cross-businesses synergies, beginning with a global sustainability champions network.	Report on progress made in the 2021 Report.
Every core business to have its own sustainability reporting which follows the Group's sustainability goals and priorities.	By 2022
Roll out a Group-wide Sustainability Data Management System for enhanced active monitoring and preparation for externally-audited data.	By 2022 (verification by 2023)
Expand disclosures to meet criteria set out in key reporting frameworks (e.g. TCFD) and ESG rating agency frameworks.	Ongoing

## Governance

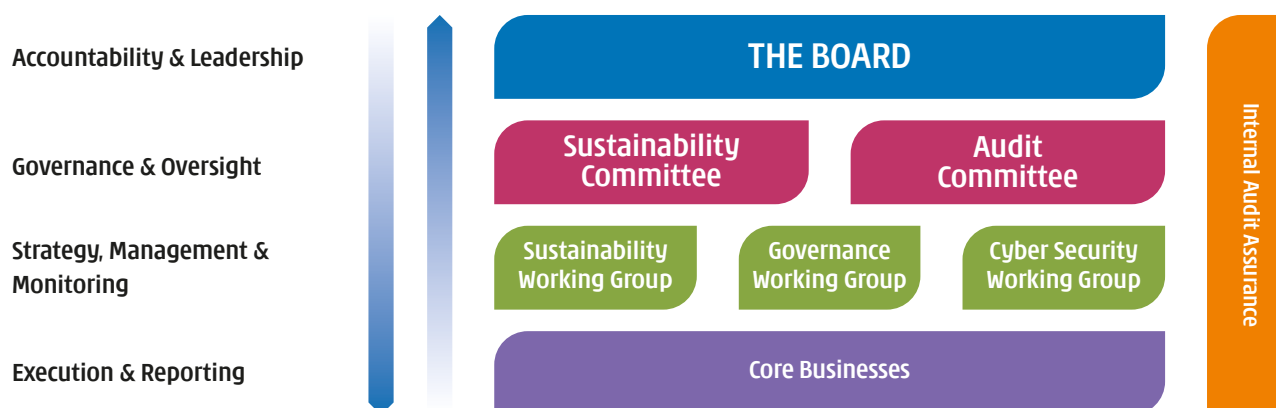
The ways in which the Group manages its sustainability impacts and acts on its governance-related goals – Embed rigorous and effective governance; and Operate responsibly and with integrity – are detailed in this section. This section should also be read in conjunction with the Corporate Governance Report included in the 2020 Annual Report for further detailed information regarding the corporate governance framework and practices.

### Group sustainability governance

At the heart of the Group's corporate strategy is its objective to enhance long-term, sustainable value for all its stakeholders.

The Group adopts a rigorous and effective sustainability governance structure which provides a solid foundation to deliver on this objective and ensure sustainability is embedded at all levels of the Group.

Foundational policies, including the Group-wide Sustainability Policy, serve as the ultimate guiding principles for the Group and detail the Group's commitments to its stakeholders and the environment.



## The Board

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

The Board examines and approves the sustainability goals, objectives, policies and frameworks and reviews progress towards their implementation and 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, as well as their impact on business strategy and new investments.

## Board Diversity

As at 31 December 2020, the Board comprised 19 directors, including seven Executive Directors, five Non-executive Directors and seven Independent Non-executive Directors. The Nomination Committee, chaired by Dr Rosanna Wong, an Independent Non-executive Director, with the Chairman Mr Victor T K Li and Independent Non-executive Director Mr Vincent Cheng as members, is responsible for reviewing the structure, size, diversity profile and skills matrix of the Board. The Group values the benefits of a diverse Board that possesses a balance of skill set, expertise, experience and perspective. Appointment of Directors is based on attributes that the selected Director will bring to the Board. Female directors accounted for 21% of the Board in 2020. On the date of this report, the Board comprised 17 directors of which female directors accounted for 24% of the Board.

## Sustainability Committee


The Sustainability Committee, elevated as a Board-level committee in 2020, is chaired by Mr Frank Sixt (Group Finance Director and Deputy Managing Director), with Ms Edith Shih (Executive Director and Company Secretary) and Dr Rosanna Wong (Independent Non-executive Director) as members.

The key responsibilities of the Sustainability Committee are to make recommendations to the Board on the Group's sustainability goals, objectives and strategies. It oversees, reviews and evaluates actions taken by the Group to progress its sustainability priorities and goals. The Committee also reviews and reports to the Board on sustainability risks and opportunities, and assesses emerging sustainability issues and trends that could impact the business operations and performance of the Group. Moreover, it considers the impact of the Group's sustainability initiatives on its stakeholders and advises the Board on external communication, disclosure and publications as regards to its sustainability performance.

The Committee meets at least twice a year per the [Sustainability Committee's Terms of Reference](#) .

During 2020, the Sustainability Committee reviewed and approved the 2019 Sustainability Report. It also approved the 2021 sustainability priorities for the Group included within this report. As identified Group-wide focus areas, the Sustainability Committee will give particular oversight and receive ongoing updates on the following goals:

1. Take action on climate change;
2. Offer customers sustainable products and invest in and embrace innovation to achieve transformational impacts;
3. Create great places to work; and
4. Take all steps to protect employees and support communities and other stakeholders through the pandemic.

Sustainability policies	Corporate governance policies
<ul style="list-style-type: none"><li>• <a href="#">Sustainability Policy</a> </li><li>• <a href="#">Environmental Policy</a> </li><li>• <a href="#">Health and Safety Policy</a> </li><li>• <a href="#">Human Rights Policy</a> </li><li>• <a href="#">Modern Slavery and Human Trafficking Statement</a> </li><li>• <a href="#">Supplier Code of Conduct</a> </li></ul>	<ul style="list-style-type: none"><li>• <a href="#">Anti-Fraud and Anti-Bribery Policy</a> </li><li>• <a href="#">Board Diversity Policy</a> </li><li>• <a href="#">Code of Conduct</a> </li><li>• <a href="#">Director Nomination Policy</a> </li><li>• <a href="#">Information Security Policy</a> </li><li>• <a href="#">Media, Public Engagement and Donation Policy</a> </li><li>• <a href="#">Policy on Appointment of Third Party Representatives</a> </li><li>• <a href="#">Policy on Personal Data Governance</a> </li><li>• <a href="#">Policy on Securities Dealings and Handling of Confidential and Price-sensitive Inside Information</a> </li><li>• <a href="#">Whistleblowing Policy</a> </li><li>• <a href="#">Shareholder Communication Policy</a> </li></ul>



### Audit Committee

The Audit Committee maintains oversight of the effectiveness of the financial reporting, risk management and internal control systems of the Group, and is responsible for reviewing the policies and practices of the Group on corporate governance including compliance with legal and regulatory requirements per the [Audit Committee Terms of Reference](#) .

### Sustainability Working Group

Supporting the Sustainability Committee is the Sustainability Working Group, comprising two Executive Directors as Co-Chairs, as well as other senior executives from key departments that influence the Group's material sustainability impacts.

To further strengthen its sustainability management approaches, the Company recruited a sustainability lead to drive the Group-wide sustainability strategy, working in partnership with the core businesses' Sustainability Working Groups.

### Governance Working Group

To assist the Audit Committee and the Sustainability 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.

### Cyber Security Working Group

The Cyber Security Working Group is chaired by the Group Finance Director and Deputy Managing Director and includes technical specialists from the core businesses, as well as representatives from Internal Audit and Group Information Services Department. It oversees the cyber security risks and defences of the Group to ensure that its efforts in this area are effective, coherent, and well-coordinated.

### Sustainability at the core businesses

Each of the core businesses operates in unique sectors and geographies, therefore they are supported by their own sustainability leads, governance structures and programmes. Where necessary to their industry and geography, additional policies are adopted to support approaches in addition to the policies of the Group. As a common standard, each core business has set up its own cross-departmental Sustainability Working Group which is chaired by senior management.

### Internal Audit

Internal Audit, 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 Group's risk management activities and controls, including those related to sustainability.

### Risk management

As part of its enterprise risk management, the Group adopts a top-down and bottom-up approach to managing sustainability risks. Bi-annually, each core business is required to formally identify and assess its risks and as well as the control procedures that are in place in managing the risks identified.

Subject to independent audit assurance, these self-assessment results are submitted to the Executive Directors and the Audit Committee for review and approval. Relevant assessment results are also shared with external auditors.

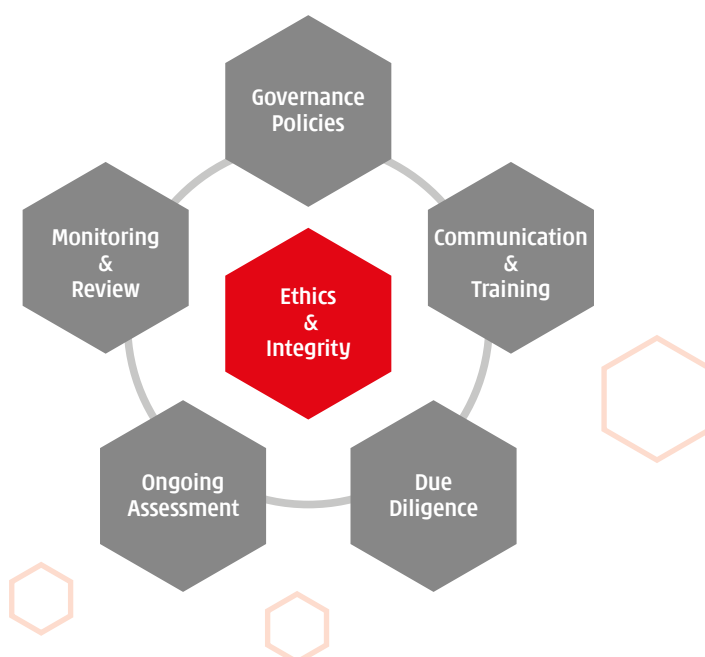
In 2020, climate change was given additional focus during the risk assessment process and highlighted as a greater priority going forward.

### Business ethics and integrity

The Group is committed to ensuring that its business activities are carried out with the highest standards of integrity, honesty and transparency. The Board sets a tone of zero tolerance towards fraud and corruption. Through the Audit Committee, the Board has ultimate oversight of business ethics and compliance efforts and also regularly reviews the effectiveness of the risk management and internal control systems of the Group on an ongoing basis.

Further, as a signatory of the United Nations Global Compact, the Group is committed to working against corruption in all its forms.

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:




### Governance policies

The Code of Conduct (the “Code”) sets out the professional and ethical standards for the Group to observe in all business dealings, including provisions dealing with conflict of interest, fair dealings and integrity, corruption, political contribution, confidentiality, personal data protection and privacy, as well as whistleblowing procedures.

The Code applies to all subsidiaries and controlled affiliates of the Group, where every director and employee requires strict adherence to the Code as well as 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.

The Anti-Fraud and Anti-Bribery (“AFAB”) Policy outlines the Group's zero tolerance approach to bribery and corruption and guides employees in recognising the circumstances which may lead to, or give the appearance of, being involved in corruption or unethical business conduct. It includes provisions relating to kickbacks, political and charitable contributions, gifts and hospitality, and procurement of goods and services. For political donations, in accordance with the AFAB Policy as well as the Media, Public Engagement and Donation Policy, it is the Group's general policy not to make any form of donation to political associations or individual politicians.

Further, 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. They are required to implement appropriate AFAB policies and compliance programmes as well as verify if the policies are being complied with. Suitable AFAB clauses are incorporated in the contracts with business partners and suppliers to ensure that they are fully aware of the Group's requirements.

The Group is committed to fully complying with its statutory tax obligations in all the jurisdictions in which it operates, including the payment, reporting and recovery of taxes. To ensure that these obligations are fulfilled, the Group has developed a Tax Governance Framework to provide guidance on how its tax affairs should be managed, including regular assessment of the tax compliance process through periodic questionnaires and reviews. For more information, please see the [Group's Tax Strategy](#) .

### Communication and training

All employees are well informed of the Code as well as the aforementioned governance policies. Employees are also required to self-declare their compliance with the Code and related policies on an annual basis.

Training on business ethics and the Group's ethics policies is provided to all new joiners as part of their induction programmes. For specific topics such as anti-fraud and anti-corruption, tailor-made training is assigned to employees based on their role and area of responsibility at least once every two years. In addition, periodic fraud alerts are circulated within the Group to bring attention to new or common fraud schemes.

### Due diligence

The Group's commitment to anti-fraud and anti-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 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.

Further, 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 predefined thresholds) requires Head Office review and approval prior to any binding commitment.

### Ongoing assessment

Internal Audit conducts independent audits of the Group's ethical standards and policies in the areas of anti-corruption, fraud incident management, supplier code of conduct, fair dealing with suppliers, handling of confidential/inside information, personal data governance, anti-trust, workplace safety, and accuracy of book and record. The audits run in a typical three-year cycle and are Group-wide. Higher risk business units are subject to more frequent and intensive audits (generally once per year). All audit findings are reported to the Audit Committee and the Executive Directors and are also shared with external auditors.

Core businesses are also required to self-assess their control measures bi-annually to further drive improvement. The results of this self-assessment are reviewed by Internal Audit and reported to the Executive Directors and the Audit Committee.

## 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. This control system is subject to regular review and audit. In particular, Internal Audit, which 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 others 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. This is supported by the Whistleblowing Policy. All reported incidents are treated confidentially, and the individuals raising concerns are protected 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 are proactively communicated to employees in local languages, available on corporate websites, and also allow for anonymous reporting of improprieties. Each core business further derives its own set of internal escalation procedures to cater for its operational needs, and is required to report the incident to the Group Finance Director and Deputy Managing Director and the Head of Internal Audit function within one working day should the amount involved exceed the de minimis threshold.

Incidents or suspected incidents of fraud and corruption are immediately investigated. Internal Audit is responsible for reviewing every reported incident, seeking relevant stakeholders for direction or comment, determining which incident requires a more in-depth investigation, and escalating promptly to the Executive Directors and the Audit Committee if the incident is of a significant nature. 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.

## Privacy and security

Customer data privacy and the management of cyber security risks are of the highest priority to the Group, and rigorous policies and governance mechanisms are in place to maintain consistency and oversight across operations.

In terms of privacy, the Group's Policy on Personal Data Governance, which embraces the principles of respecting the rights of the individual, of procedural transparency, and of lawful processing, underlines the Group's commitment to the protection of personal data of customers and employees. The Policy governs fundamental privacy aspects such as the collection, usage, retention and sharing of personal data, and safeguards if the data are to be handled by third parties. For the latter, these could include having the right to directly audit the operations of third parties.

The CK Hutchison Cyber Security Working Group, supported by technical experts from across the entire Group, oversees the Group's cyber security defences, monitors the threat landscape facing all of the Group's operations, provides guidance to business units, and ensures coordinated and effective efforts in managing cyber security risks across the Group.

Regarding policies, the Information Security Policy instructs the approach of the Group in protecting the confidentiality, integrity and availability of data, including personal data, as well as in managing and escalating security incidents. The Policy also forms the basis on which the businesses formulate their local policies and procedures.

In addition, through the CK Hutchison Global Cyber Security Collaboration Platform, colleagues within the Group share knowledge, exchange ideas, and collaborate to find the right security solution and the right vendor in a fast-evolving threat environment where organisations are often faced with a vast array of choices.

Internal Audit carries out independent cyber security audits across the Group, with assignments in recent times focusing on the awareness of COVID-19-themed phishing emails, and security considerations in relation to working from home and the use of collaboration tools for virtual team-work. Further, Internal Audit periodically engages external consultants to conduct ethical hacking to probe cyber security defences in real-life settings, and follows up to see that security loopholes uncovered in these exercises are promptly and properly closed.

Further discussion on management approaches to privacy and cyber security are provided within the core business sections next.

