

# MESSAGE FROM THE CHAIRMAN

In 2021, our Group's sustainability initiatives have continued to gain momentum, as has our resolve to serve society sustainably and enable the net-zero transition for all.

In the 2020 Sustainability Report, we discussed our Group's important role in serving society through keeping people connected, securing the movement of trade and supply chains, ensuring the availability of daily necessities, and developing critical infrastructure to provide essential services to millions of customers around the world. The COVID-19 pandemic has further emphasised the critical role the Group plays in the effective functioning of these systems.

What has also been clear is how the Group's core businesses are, each in unique ways suited to their differing business contexts, taking meaningful action to enable the net-zero transition. With every year that passes, the urgency of action to address climate change increases. The Group welcomes the developments and pledges made at COP26, with strengthened commitments now more aligned to a two degrees pathway. It also, however, recognises that there is much more work to be done by all sections of society if these commitments, as well as the preferred 1.5 °C pathway, are to stay within reach.

Across the Group, work is underway to continuously move the bar higher and to keep challenging the realms of possibility by adopting cutting-edge innovation and collaborating internally and externally. To ensure the Group's approach is leading practice, all core businesses have been assessing the pathway to setting science-based targets in line with the Group's direction. Both A.S. Watson and CK Hutchison Group Telecom made significant progress during 2021 by setting scope 1, 2 and 3 targets that are pending validation by the Science Based Targets initiative. UK Power Networks and Hong Kong Electric have also taken the step to have their targets validated as science-based.

In this report, the Group has laid out 10 net-zero transition opportunities with respect to which it is taking significant steps to drastically cut its own carbon footprint, enable profound change across the industries in which it operates and grow value-creating business solutions. To summarise these actions, which are explored in further detail in this report:

- The Ports division is rolling out a global electrification programme of its vehicles and infrastructure to progressively phase out diesel and is planning to develop a green hydrogen

hub and centre of sustainability excellence at Freeport East, centred on two of its ports. At its peak, the project is expected to produce 1GW of green hydrogen, 20% of the 5GW target in the UK's Ten Point Plan for a Green Industrial Revolution;

- The Retail division is designing products and services with circular economy principles in mind, eliminating unnecessary waste and GHG emissions. Among other goals, it is committing to 100% of its Own Brand plastic packaging being reusable, recyclable or compostable by 2025 as part of being a signatory to the Ellen MacArthur Foundation-led New Plastics Economy Global Commitment;
- The Infrastructure division is investing and growing its renewable energy portfolio, readying its gas networks for the future of hydrogen, connecting market-leading levels of renewable energy to the grid, and adopting carbon capture, use and storage to further drive down emissions at its waste-to-energy operations; and
- The Telecommunications division is providing leadership in innovation in 5G, IoT applications and smart city solutions which are crucial to accelerating the net-zero transition. 3 UK is helping Hutchison Ports Port of Felixstowe roll out remote-controlled rubber-tyred gantry cranes and the division's dedicated data analytics business, CKDelta, is partnering with UK Power Networks and ista to provide data-driven insights that will support the large-scale electric vehicle rollout in the UK as it looks to ban internal combustion engines by 2030.

Another significant step taken by the Group is the commitment to phase out its coal-fired power generation globally by 2035. To date, coal-fired generation installed capacity has reduced from 53% in 2016 to 32% in 2021, and a plan is in place to reduce this to zero before 2035.

The Group recognises that the world's transition to net-zero is not a linear path. It is a route upon which the goalposts will move, technologies will change, and understanding will evolve. It must be handled humbly, with an authentic and ambitious desire for change that is rooted in its business purpose, and an approach that is firmly based on science.

It is important that the opportunities presented by a net-zero future are open to everyone, with both the costs and opportunities fairly distributed. To address this, the Group's businesses are playing an active role in tackling issues of inequity that may arise, working closely with regulators and governments.

While the Group is still working on its exact pathway, it is already contributing meaningfully, as well as being committed to improving the sophistication and maturity of its approach, and reporting faithfully to its stakeholders as it progresses.

With millions of loyalty members globally, the Group is increasingly aware that consumer preferences are evolving and that they are looking to align with brands that share their values and interests. Beyond providing solutions to its customers and communities along the path to net-zero, the Group is growing value-creating opportunities to address other sustainability challenges, including those that help drive a circular economy and sustainable sourcing, as well as helping build a more inclusive and diverse world. The Retail division has created a number of product lines and platforms that enable customers to shop with sustainability in mind. For example, Sustainable Choices, a filter and labelling mechanism, was launched by Watsons in 2020 to provide customers choice in four categories: Clean Beauty; Refill; Better Ingredients and Better Packaging. In 2021, it added 1,600 Sustainable Choices products both in-store and online in close collaboration with brand partners such as Johnson & Johnson and Unilever. Through Superdrug's #ShadesOfBeauty campaign, it is working to give women of colour a voice and to make high street beauty more inclusive through greater available choice and ensuring diverse representation in publicity and marketing, among other goals.

The Telecommunications division is also aiming to offer its customers more sustainable choices such as handset take-back and recycling programmes, and increasingly stocking a range of lower impact handsets and mobile accessories. It is also playing an important role in digital inclusion through its work to bring connectivity to rural communities around the world.

Following two years of pandemic control measures, 2021 marked the beginnings of global recovery, helped by the accelerated vaccination rollout programmes and easing of lock-downs and economic reopening in many parts of the world.

Throughout the course of the pandemic, the Group's employees have been at the heart of its continued ability to achieve excellent operational performance and reliability of service. Supporting their welfare, as well as that of the Group's customers and communities, has been at the forefront of decision-making. Many emergency response actions first implemented in 2020, such as distributing personal protective equipment and working from home measures, became part of ongoing operations during 2021, and the Group's focus also turned to supporting employee wellbeing, particularly

mental health, following years of flux and change. For example, before transitioning back to offices, the Retail division conducted a wellbeing survey to understand the support its employees needed to ensure targeted efforts. It also trained representatives from its HR teams globally to be Mental Health First Aiders to support employees through an accredited course by Mental Health First Aid England.

The COVID-19 pandemic has hit disadvantaged communities the hardest, with existing issues of fuel poverty being all the more exacerbated. The Group's networks implemented support tariff schemes, among other measures, to support its customers. To make sure it focused resources where they can have greatest impact, Northern Gas Networks developed an online tool including a heat map of customers against vulnerability factors, such as air quality, fuel poverty levels, and number of food banks. The business has also adapted its Community Partnering Fund, which provides grants for grass roots projects, to now have a "recovery from COVID-19" category, and its Warm Hubs model, which provides places for communities to come together, has been adapted for remote delivery, with slow cookers and energy advice packs distributed via food banks.

The Telecommunications businesses have likewise continued to support its customers and communities to work and study from home with free connectivity and zero-rating essential health and educational sites, while also seeking partnerships for even better outcomes. **3** Ireland worked with the mental health charity, Aware, to enable its 115 trained volunteers to take calls securely while volunteering from home. **3** UK partnered with the UK's Department for Education's Get Help with Technology programme, to provide the most disadvantaged children across England with unlimited data allowing them to continue with their education online until the end of the school year.

In 2021, the Group became a signatory to the United Nations Global Compact and this report therefore acts as the Group's first Communication on Progress as well as its avenue to show continued support for the Global Compact and its ongoing commitment to the initiative and its principles.

I would like to take this opportunity to thank our team members around the world for everything they have done, and continue to do, for our Group. Their hard work, ingenuity and dedication continue to make us who we are. I also want to thank the Board, shareholders and other stakeholders for their continued support in our efforts to create positive impact now and into the future.

**Victor T K Li**  
Chairman, CK Hutchison  
31 May 2022