

# Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the “Group”) as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding the interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles and practices that emphasise a quality board of Directors (the “Board”), effective risk management and internal control systems, stringent disclosure practices, transparency and accountability as well as effective communication and engagement with shareholders and other stakeholders. It is, in addition, committed to continuously enhancing these standards and practices and inculcating a robust culture of compliance and ethical governance underlying the business operations and practices across the Group.

The Company has complied throughout the year ended 31 December 2022 with all applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), other than that in respect of the separate roles of Chairman and Group Co-Managing Directors.

## THE BOARD

### Corporate Purpose, Values and Culture

The Group’s purpose is to create a better world through delivering the essential services that society needs, underpinned by the business values of innovation, collaboration, integrity and sustainability across all levels of the Group.

As a multinational conglomerate committed to the development, innovation and technology of core businesses of the Group, the Group lives up to this purpose by instilling a culture that is forward looking and agile to achieve competitiveness. It also respects and promotes creativity, opportunities to exchange ideas and cross-fertilisation of innovative advancements and solutions to enhance long-term sustainable growth and value as a principal objective of the Company. Guided by the Group’s core values, the Board plays a leading role in defining the purpose and strategic direction of the Group, sets the tone and shapes the corporate culture of the Company to ensure all businesses across the Group are aligned with the same purpose. Alongside the Group’s robust corporate governance framework and effective risk management and internal control systems, the desired culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders, through active collaboration, effective engagement and regular training at all levels. Board oversight of culture encompasses a range of measures and tools over time, including workforce engagement, employee retention and training, stringent financial reporting, effective and accessible whistleblowing framework, legal and regulatory compliance (including compliance with the Code of Conduct and group policies), as well as staff safety, wellbeing and support. From the Board performance evaluation conducted, the Directors are satisfied with the performance of the Board and acknowledged that the Board plays an effective role in the development and determination of the Group’s culture, strategy and overall commercial objective. Taking into account the corporate culture in a range of contexts, the Board considers that the culture and the purpose, values and strategy of the Group are aligned.

### Corporate Strategy

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

## Role of the Board

The Board is accountable to shareholders for the long-term sustainable success of the Company. It is responsible for shaping and overseeing the corporate culture, setting and guiding the long-term strategic objectives of the Company with appropriate focus on value creation and risk management, directing, supervising and monitoring the managerial performance and operating practices of the Group to ensure they align with the desired culture. It also ensures ongoing effective communication with shareholders and engagement with key stakeholders as it develops the purpose and values of the Company. Directors are charged with the task of promoting the long term sustainable 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, fosters and oversees the culture, 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, and putting in place mechanisms for ensuring that the desired culture of the Company is understood and shared at all levels of the Group.

## Board Composition

The Board currently comprises 17 Directors, including the Chairman and Group Co-Managing Director, Group Co-Managing Director, Group Finance Director and Deputy Managing Director ("GFD/DMD"), three Deputy Managing Directors, one Executive Director, four Non-executive Directors and six Independent Non-executive Directors. Throughout 2022, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

The following changes to the Board composition have taken place since the date of the last corporate governance report:

- (1) Mr Cheng Hoi Chuen, Vincent, an Independent Non-executive Director, passed away on 28 August 2022;
- (2) The Hon Sir Michael David Kadoorie resigned as an Independent Non-executive Director and Mr William Elkin Mocatta ceased to be an Alternate Director, both with effect from 16 December 2022; and
- (3) Mr Philip Lawrence Kadoorie was appointed as an Independent Non-executive Director with effect from 16 December 2022.

Biographical details of the Directors are set out in the section of "Information on Directors" on pages 71 to 76 and on the website of the Group. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Group and Hong Kong Exchanges and Clearing Limited ("HKEX") ([www.hkexnews.hk](http://www.hkexnews.hk)).

## Chairman and Group Co-Managing Directors

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

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to promote effective communication and ongoing engagement with shareholders and other stakeholders, as outlined later in this report.

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

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

The position of Managing Director 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, and Mr Li also took on the position of Chairman in 2018. With the Group being a multinational conglomerate with diverse businesses in about 50 countries/markets, Mr Li and Mr Fok in their position as Group Co-Managing Directors share responsibilities in the overall strategic direction and day-to-day management of the Group, with no single individual having unfettered management decision power. Further, the Board which comprises experienced and seasoned professionals continues to scrutinise material business matters and monitor performance of the Group to ensure that management function is effectively and properly exercised with balance of power and authority. The Audit Committee, Nomination Committee and Remuneration Committee, all chaired by an Independent Non-executive Director, also provide strong independent oversight of the Management in their respective areas of responsibilities and expertise. Hence, the current arrangements provide checks and balances without jeopardising the independent exercise of powers of the Chairman and the Group Co-Managing Directors.

### Board Process

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance and business activities of the Group. Throughout the year, in addition to Board meetings, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to Directors as appropriate. Whenever warranted, additional Board meetings are held. Further, Directors have full access to information on the Group and advice and services of the Company Secretary and the Group Legal Department ("GLD"). They also have full access to independent professional advice at all times whenever deemed necessary and they are at liberty to propose appropriate matters for inclusion in Board agendas.

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

In 2022, the Company held four Board meetings with 100% attendance. All Directors also attended the annual general meeting of the Company held on 19 May 2022 (the "2022 AGM"). The attendance record is set out below:

Directors	Board Meetings Attended/ Eligible to Attend	Attendance at 2022 AGM
<b>Chairman</b>		
Victor T K Li <sup>(1)</sup> ( <i>Group Co-Managing Director</i> )	4/4	√
<b>Executive Directors</b>		
Fok Kin Ning, Canning ( <i>Group Co-Managing Director</i> )	4/4	√
Frank John Sixt ( <i>Group Finance Director and Deputy Managing Director</i> )	4/4	√
Ip Tak Chuen, Edmond ( <i>Deputy Managing Director</i> )	4/4	√
Kam Hing Lam <sup>(1)</sup> ( <i>Deputy Managing Director</i> )	4/4	√
Lai Kai Ming, Dominic ( <i>Deputy Managing Director</i> )	4/4	√
Edith Shih	4/4	√
<b>Non-executive Directors</b>		
Chow Kun Chee, Roland	4/4	√
Chow Woo Mo Fong, Susan	4/4	√
Lee Yeh Kwong, Charles	4/4	√
George Colin Magnus	4/4	√
<b>Independent Non-executive Directors</b>		
Cheng Hoi Chuen, Vincent <sup>(2)</sup>	3/3	√
Michael David Kadoorie <sup>(3)</sup>	4/4	√
Philip Lawrence Kadoorie <sup>(4)</sup>	N/A	N/A
Lee Wai Mun, Rose	4/4	√
Leung Lau Yau Fun, Sophie	4/4	√
Paul Joseph Tighe	4/4	√
Wong Kwai Lam	4/4	√
Wong Yick-ming, Rosanna	4/4	√

Notes:

- (1) Mr Victor T K Li is a nephew of Mr Kam Hing Lam.
- (2) Passed away on 28 August 2022.
- (3) Resigned on 16 December 2022.
- (4) Appointed on 16 December 2022.

In addition to Board meetings, in 2022 the Chairman held monthly meetings with the Executive Directors and also met with the Independent Non-executive Directors twice without the presence of other Directors. Such meetings provide an effective forum for the Chairman to listen to the views of the Independent Non-executive Directors on issues including corporate governance improvement, effectiveness of the Board, and such other issues they may wish to raise in the absence of other Directors and senior management of the Company.

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

### Board Performance

The Company regards board evaluation as a critical tool to assess Board effectiveness and efficiency. Performance evaluation on the Board and its committees had been conducted for year 2022. The evaluation involved each Director completing a questionnaire to provide individual ratings as well as comments covering a range of topics. The findings of the evaluation were then analysed and circulated to the Board. The objective of the evaluation is to ensure that the Board and its committees continue to act effectively in fulfilling the duties and responsibilities expected of them, and to develop action plans for improvement. The evaluation parameters included, amongst others, the composition, diversity and leadership of the Board as well as board processes. Based on the performance review, the Board considers its existing practice as effective and will arrange where appropriate more workshops and training for Directors. The Board is also satisfied that it has met its performance objectives and each Director has contributed positively to the overall effectiveness of the Board.

### Board Independence

The Company recognises that Board independence is key to good corporate governance. As part of the established governance framework, the Group has in place effective mechanisms that underpin a strong independent Board and that independent views and input from Directors are conveyed to the Board. The governance framework and mechanisms are kept under regular review to align with international best practice, ensuring their effectiveness. In March 2023, the Board conducted a review and considered that such mechanisms were properly implemented during 2022 and were effective.

The current composition of the Board (comprising more than one-third Independent Non-executive Directors) and the Audit Committee (comprising all Independent Non-executive Directors) exceed the independence requirements under the Listing Rules. The Nomination Committee and Remuneration Committee are both chaired by Independent Non-executive Director. The Company has a vigorous selection, nomination and appointment/re-appointment process for Directors (including Independent Non-executive Directors), see "Nomination Process" on pages 110 to 112 of this report. Fees to Independent Non-executive Directors are in the form of cash payment with additional fees payable to reflect membership or chairmanship of Board committees. None of these Directors receives remuneration based on performance of the Group. Information about remuneration of the Directors is set out on pages 114 and 115 of this report. The remuneration of Independent Non-executive Directors are also subject to a regular review mechanism to maintain competitiveness and commensurate with their responsibilities and workload.

To facilitate attendance and participation at Board and other Board committee meetings, the Company plans meeting schedules for the year well in advance, with electronic facilities for attendance as required. External independent professional advice is also available to all Directors (including Independent Non-executive Directors) whenever deemed necessary. A guide for obtaining independent and legal or other professional advice is provided to Directors. The Board process, ranging from agenda setting, provision of information and focus on constructive debates and discussions, facilitates effective and active participation by all Independent Non-executive Directors (see "Board Process" on pages 96 to 98 of this report). Each year, the Chairman meets with the Independent Non-executive Directors twice without the presence of other Directors, enabling them to express their views outside the boardroom.

The Independent Non-executive Directors have historically and consistently demonstrated strong commitment, and the ability to devote sufficient time to discharge their responsibilities at the Board. Their commitment is also subject to self-confirmation each year.

## Training and Commitment

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

The Company arranges and provides Continuous Professional Development ("CPD") training in the forms of seminars, webcasts and selected reading materials to Directors to help them to keep abreast of current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, CPD may take the form of attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics. CPD training of approximately 38.5 hours had been provided to Directors during the year.

The Directors are required to provide the Company with details of CPD training undertaken by them from time to time. The training records are maintained by the Company Secretary and are made available for regular review by the Audit Committee. Based on the details so provided, the CPD training undertaken by the Directors during the year is summarised as follows, representing an average of approximately 16.5 hours undertaken by each Director during the year:

Directors	Areas			
	Legal and Regulatory	Corporate Governance/ Sustainability Practices	Financial Reporting/ Risk Management	Group's Businesses/ Directors' Duties
<b>Chairman</b>				
Victor T K Li ( <i>Group Co-Managing Director</i> )	√	√	√	√
<b>Executive Directors</b>				
Fok Kin Ning, Canning ( <i>Group Co-Managing Director</i> )	√	√	√	√
Frank John Sixt ( <i>Group Finance Director and Deputy Managing Director</i> )	√	√	√	√
Ip Tak Chuen, Edmond ( <i>Deputy Managing Director</i> )	√	√	√	√
Kam Hing Lam ( <i>Deputy Managing Director</i> )	√	√	√	√
Lai Kai Ming, Dominic ( <i>Deputy Managing Director</i> )	√	√	√	√
Edith Shih	√	√	√	√
<b>Non-executive Directors</b>				
Chow Kun Chee, Roland	√	√	√	√
Chow Woo Mo Fong, Susan	√	√	√	√
Lee Yeh Kwong, Charles	√	√	√	√
George Colin Magnus	√	√	√	√
<b>Independent Non-executive Directors</b>				
Cheng Hoi Chuen, Vincent <sup>(1)</sup>	√	√	–	√
Michael David Kadoorie <sup>(2)</sup>	√	√	√	√
Philip Lawrence Kadoorie <sup>(3)</sup>	N/A	N/A	N/A	N/A
Lee Wai Mun, Rose	√	√	√	√
Leung Lau Yau Fun, Sophie	√	√	√	√
Paul Joseph Tighe	√	√	√	√
Wong Kwai Lam	√	√	√	√
Wong Yick-ming, Rosanna	√	√	√	√
<b>Alternate Director</b>				
William Elkin Mocatta ( <i>Alternate Director to Michael David Kadoorie</i> ) <sup>(4)</sup>	√	√	√	√

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Notes:

- (1) Passed away on 28 August 2022.
- (2) Resigned on 16 December 2022.
- (3) Appointed on 16 December 2022.
- (4) Ceased to be an Alternate Director on 16 December 2022 upon the resignation of The Hon Sir Michael David Kadoorie on the same day.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group for the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public listed companies and major appointments as well as update the Company on any subsequent changes.

### Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In summary, a Director who wishes to deal in the securities of the Company must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing prior to any dealings and obtain a dated written acknowledgement before any dealing. Any clearance to deal granted in response to a Director's request would be valid for no longer than five business days of clearance being received. After dealings, the Director must submit a disclosure of interests filing with respect to the dealing, within the time frame required under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

In response to specific enquiries made, all Directors have confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the year ended 31 December 2022.

### Board Committees

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

## COMPANY SECRETARY

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

The Company Secretary who works closely with the Board to formulate the purpose, values and strategy of the Company, takes charge in developing a robust compliance and ethical culture to meet both mounting regulatory and investor expectations, and to ensure the culture and the purpose, values and strategy of the Group are aligned.

The Company Secretary plays a leading role in helping the Company to develop and maintain a sound and effective corporate governance framework, in particular, a set of risk management and internal control systems to ensure that regulatory compliance, good corporate governance practices and culture are upheld by the Company.

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

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

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

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

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

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

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

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with, but distinguished from, the independent auditor's report on pages 121 to 125 which acknowledges the reporting responsibility of the Group's auditor.

### **Annual Report and Financial Statements**

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

### **Accounting Policies**

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

### **Accounting Records**

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

### **Safeguarding Assets**

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

### **Going Concern**

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



## Corporate Governance Report

### Audit Committee

The Audit Committee comprises three Independent Non-executive Directors who possess the relevant financial and business management experience and skills to understand financial statements and monitor the financial governance, risk management and internal controls of the Company. The composition of the Audit Committee exceeds the independence requirements under the Listing Rules. It is chaired by Mr Wong Kwai Lam with Ms Lee Wai Mun, Rose (appointed on 29 August 2022) and Mr Paul Joseph Tighe as members. Mr Cheng Hoi Chuen, Vincent, former Chairman of the Audit Committee, passed away on 28 August 2022.

The Audit Committee held four meetings in 2022 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Kwai Lam <sup>(1)</sup> ( <i>Chairman</i> )	4/4
Cheng Hoi Chuen, Vincent <sup>(2)</sup>	4/4
Lee Wai Mun, Rose <sup>(3)</sup>	N/A
Paul Joseph Tighe	4/4

Notes:

- (1) Appointed as Chairman on 29 August 2022.
- (2) Passed away on 28 August 2022.
- (3) Appointed on 29 August 2022.

The internal and external auditors attended all Audit Committee meetings. In addition, the Audit Committee held private sessions with them, as well as GFD/DMD, separately without the presence of Management.

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

Throughout 2022, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code. The following paragraphs of this report set out a summary of the work performed by the Audit Committee during 2022 and 2023 (up to the date of this report).

During 2022 and 2023 (up to the date of this report), the Audit Committee met with the GFD/DMD, other senior management, the General Manager of Group Management Services Department ("GMSD", the Group's internal audit function) ("Internal Audit GM") and external auditor, PricewaterhouseCoopers ("PwC"), to review the 2022 interim and 2021 and 2022 annual results, reports and financial statements, and other financial, corporate governance, risk management, internal control and cyber risks of the Group. It received, considered and discussed the reports and presentations of Management, the Internal Audit GM and PwC. As part of these reviews and discussions, the Audit Committee evaluated the application by Management of critical accounting policies and material areas in which significant accounting judgements were applied, and focused on key audit matters reported by PwC, including the approach of Management on goodwill, other indefinite life intangible assets and investments in associated companies and joint ventures impairment testing. The Audit Committee also challenged Management to review all aspects of its impairment assessment approach to ensure the approach remains robust in terms of accounting judgements including compliance with the relevant accounting requirements to ensure that the Group's 2021 and 2022 annual results, reports and financial statements were prepared in accordance with HKFRS and comply with the applicable disclosure requirements of the Companies Ordinance and the Listing Rules, and for such control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Based on these reviews and discussions, the Audit Committee is satisfied that the Group's 2022 interim and the Group's 2021 and 2022 annual results, reports and financial statements have been prepared in accordance with the aforementioned requirements and recommended that these be approved by the Board.

The Audit Committee met four times during 2022 and two times during 2023 (up to the date of this report) with PwC to consider its reports on the scope, strategy, progress and outcome of its independent review of the Group's 2022 interim financial statements and audit of the Group's 2021 and 2022 annual financial statements. It reviewed the composition of the audit engagement teams and PwC's strategy and approach for the review and the annual audit, including the audit risk and materiality assessment, the nature, timing and scope of the audit procedures, and PwC's reporting obligations before the audit commenced. It received and discussed updates with PwC on the audit including observations on the control environment and material areas in which significant accounting judgements were applied, as well as information about the firm's quality management and monitoring process for the audit, recent results from internal and external key quality reviews and inspections across the Group, as well as audit quality indicators focused on (i) the delivery of audit deliverables against agreed timetable and milestones; (ii) the hours of audit work delivered by senior PwC audit team members; (iii) the involvement of specialist and expert; (iv) the findings and results from internal and external reviews and inspections; and (v) the use of technology. The Audit Committee is satisfied with PwC's competence, expertise, resources, as well as the effectiveness of the audit process.

There were no breaches of the policy on hiring employees or former employees of the external auditor during the reported period. The Audit Committee reviewed the audit fees and the fees for non-audit services payable to PwC. The non-audit services were carried out in accordance with PwC's independence policy to ensure that they do not create a conflict of interest and they comply with the Group's policy regarding the engagement of its external auditors for the various services.

During the reported period, the Audit Committee also reviewed the independence and objectivity of the external auditor. It had considered all relationships (including requirements for rotation of audit partners, provision of non-audit services and long-term audit relationship) between the Company and PwC when assessing the independence and objectivity of the external auditor. The Audit Committee considered PwC to be independent and PwC, in accordance with applicable professional ethical standards, provided the Audit Committee written confirmation of its independence and objectivity for 2022.

To assist the Board in assessing the overall governance, financial reporting, risk management and internal control framework and maintaining effective risk management and internal control systems covering all material controls, including financial, operational and compliance controls, in 2022, the Audit Committee reviewed the process by which the Group evaluated its control environment and managed significant risks (including cyber risks). It received, considered and provided feedback on the risk management report, the composite risk register, the risk heat map, the presentations of the Internal Audit GM and Management on their review with respect to the effectiveness of the risk management and internal control systems of the Group. Based on these reviews, the Audit Committee concurred with Management confirmation that such systems are effective and adequate. It also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

In addition, the Audit Committee reviewed, in conjunction with GMSD, the 2022 work plans and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal control systems (including cyber risks) of the Group. Further, it also considered the reports from the GLD on the Group's material litigation proceedings and compliance status on key legal and regulatory requirements. These reviews and reports were taken into consideration by the Audit Committee when it made its recommendation to the Board for approval of the consolidated financial statements. During 2022, the Audit Committee also received periodic presentations on, and reviewed, the compliance status of the Group with respect to the CG Code as well as other corporate governance topics including the Group's policies and practices on compliance with legal and regulatory requirements, and ensured that any deviation from the CG Code was properly explained and disclosed in this report. In January 2023, the Audit Committee also reviewed and recommended to the Board updates to its terms of reference and certain corporate governance policies including the Code of Conduct, Anti-Fraud and Anti-Bribery Policy, and Whistleblowing Policy. It has also received update reports on CPD training of Directors.

The Audit Committee, on behalf of the Board, also conducted a review of the implementation and effectiveness of the Shareholders Communication Policy in March 2023. Having considered the multiple channels of communication and engagement in place (see "Relationship with Shareholders and Other Stakeholders" on pages 115 to 117 of this report), the Audit Committee is satisfied that the Shareholders Communication Policy has been properly implemented during 2022 and is effective.

## Corporate Governance Report

### External Auditor

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

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

An analysis of the fees of PwC and other external auditors is shown in note 7(b) to the financial statements. For the year ended 31 December 2022, PwC fees, amounting to HK\$224 million were primarily for audit services and those for non-audit services (which included tax compliance and other tax related services, and financial due diligence services) amounted to HK\$56 million, representing approximately 20% of the total PwC fees (audit and non-audit).

The lead audit engagement partner who has been in the role since 2017 and, in accordance with PwC's policy, will be due for rotation after completing the annual audit for the year 2023 if PwC is re-appointed as external auditor. This requires succession planning on the part of PwC, a process in which the Company is involved. In 2023, the Audit Committee will discuss with PwC the provisions the firm has in place for rotation of the lead audit engagement partner.

The Audit Committee is satisfied with PwC's competence, expertise, resources, independence and objectivity, as well as the effectiveness of the audit process, and recommended to the Board on the re-appointment of PwC as the external auditor which will be considered by the shareholders at the forthcoming annual general meeting.

### Audit Report on the Annual Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by PwC in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The unqualified auditor's report is set out on pages 121 to 125. The consolidated financial statements of the Group for the year ended 31 December 2022 have also been reviewed by the Audit Committee.

## RISK MANAGEMENT, INTERNAL CONTROL AND LEGAL & REGULATORY COMPLIANCE

### Board Oversight

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

In meeting its responsibilities, the Board, with due regard to the Company's risk appetite, evaluates and determines the nature and extent of the risks (including sustainability and cyber risks) that the Company is willing to accept in pursuit of its strategic and business objectives. The Board inculcates appropriate risk culture across the Group's business operations and has put in place a comprehensive range of policies and systems, including parameters of delegated authority, which provide a framework for the identification, reporting and management of risks. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. The reporting and review processes include the review by Executive Directors and the Board of budgets, strategic plans, and detailed operational and financial reports as provided by business unit management, as well as review by the Audit Committee of ongoing work of GMSD.

On behalf of the Board, the Audit Committee also regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfilment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group, chaired by the Executive Director and Company Secretary and comprising representatives from key departments of the Company, provides timely updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. The Competition, Regulatory and Public Affairs Group reviews, assesses, escalates and where appropriate, proposes handling measures on competition, regulatory and public affairs matters affecting business units. It meets regularly with business units to monitor compliance requirements and to formulate strategies and share information and expertise across jurisdictions and businesses. It also provides regular updates to the Governance Working Group. A Cyber Security Working Group, chaired by the GFD/DMD and including technical specialists from the core business divisions, as well as representatives from GMSD and the Group Information Services Department, manages the cyber security defences of the Group, monitors cyber threat landscape and set strategic plan. It also ensures that the Group's efforts in managing the cyber risks are effective, coherent and well-coordinated, and makes recommendations as it deems appropriate to the Audit Committee on any area within its remit.

The Audit Committee is satisfied that the Company has complied throughout the year with all applicable code provisions of the CG Code, other than that in respect of the separate roles of Chairman and Group Co-Managing Directors as explained in this report.

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

### Risk Management

The Company adopts an Enterprise Risk Management 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 (including sustainability and cyber risks) within the Group, be they of strategic, financial, operational or compliance nature.

Risk management is an integral part of the day-to-day operations and management of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the Executive Directors and the executive management teams of each core business about the current and emerging risks (including sustainability and cyber risks), their plausible impact and mitigation measures to ensure that the executive management teams of each core business has performed its duty to have effective system. These measures include instituting additional controls and deploying appropriate insurance instruments to minimise or transfer the impact of risks that the Group's businesses face. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business as well as discussions and reviews by the Executive Directors and the Board, through the Audit Committee. More specifically, on a half-yearly basis, each core business is required to formally identify and assess the significant risks (including sustainability and cyber 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, discusses the risk management and internal control systems, including matters related to cyber risks, with the Internal Audit GM and Executive Directors, and provides input as appropriate so as to ensure effective systems in place. Pages 64 to 70 of this annual report provide a description of the Group's risk factors which could affect the Group's financial condition or results of operations that differ materially from expected or historical results.

## Corporate Governance Report

### Internal Control Environment

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

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

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

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

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

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

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

In terms of formal review of the Group's risk management and internal control systems, a risk management and internal control self-assessment process that requires the executive management team and senior management of each core business to review, evaluate and declare the effectiveness of such systems covering all material controls, including financial, operational and compliance controls over the operations of the business and devise action plans to address the issues, if any, is in place. These assessment results, together with the risk management report as mentioned earlier and the independent assessments by the internal and external auditors, form part of the bases on which the Audit Committee formulates its opinion on the effectiveness of the Group's risk management and internal control systems.

### Legal and Regulatory Compliance

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

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

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

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

On the listed companies level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Act, the Companies Ordinance, the SFO and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated and where their securities are listed and traded. The GLD is vigilant with the legal requirements under these statutes, rules and regulations which would have a material implication or impact on the Group. The Group is not aware of any incidents of non-compliance with such laws and regulations that may have a significant impact on the Group.

## Governance Policies

The Group places utmost importance on the ethical, personal and professional standards of Directors and employees of the Group. All employees adhere to various Group policies that reflect the core values and corporate culture of the Group. The Code of Conduct is the central tool through which the Company sets the conduct expectations for employees underscoring the strong commitment of the Group to upholding high standards of business integrity, honesty and transparency in all its business dealings. The Company has also established anti-corruption and whistleblowing policies and systems, which are conducive to setting a healthy corporate culture and good corporate governance practices. In addition, the Group has adopted and implemented a number of other governance policies to incorporate the core values of the Group into its operations and practices. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's businesses, corporate strategy and stakeholder expectations.

Key governance policies and guidelines of the Group, which are posted on the website of the Group, include:

### Code of Conduct

The Code of Conduct of the Group sets the standards for employees as are reasonably necessary to promote honest and ethical conduct, accurate and timely disclosure in the reports and documents that the Group files or submits to regulators, compliance with applicable laws and regulations, prompt internal reporting of violations and accountability for adherence to the Code of Conduct. Every employee is required to undertake to adhere to the Code of Conduct, which includes provisions dealing with conflict of interest, equal opportunities, diversity and a respectful workplace, health and safety, protection and proper use of company assets, record keeping, bribery and corruption, personal data protection and privacy as well as reporting procedures for illegal and unethical behaviour. Employees are required to report any non-compliance with the Code of Conduct in accordance with the established reporting and escalation procedures.

### Whistleblowing Policy

In line with the commitment to achieve and maintain the highest standards of openness, probity and accountability, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice within the Group. In this regard, the Company has adopted the Whistleblowing Policy. The policy aims to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system, including anonymity and legal protection against unfair dismissal or victimisation for any genuine reports made. The Board delegated the authority to the Audit Committee, which is responsible for ensuring that proper arrangements are in place for fair and independent investigation of any matters raised and appropriate follow-up actions are taken.

## Corporate Governance Report

### Anti-Fraud and Anti-Bribery Policy

In its business dealings, the Group does not tolerate any form of fraud or bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Fraud and Anti-Bribery Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance where necessary. Each Group company is required to report any actual or suspected incidents of bribery, theft, fraud or similar offences to the GFD/DMD and the Internal Audit GM for independent analyses and necessary follow up (see page 109 of this report for more details).

### Policy on Appointment of Third Party Representatives

The Group is also committed to exercising proper controls in engaging third party representatives (such as advisers, agents, consultants, introducers and finders). All Group companies are required to exercise due care and diligence in selecting third party representatives and in monitoring their activities, and should adhere to the Group's Policy on Appointment of Third Party Representatives in this regard.

### Corporate Communications Policy

The Group highly values its reputation in the communities and countries where it operates. Employees are required to observe the Corporate Communications Policy to ensure that the market receives timely and accurate information about the Group. The Group Corporate Affairs Department ("GCAD") and subsidiary corporate communications/public relations departments assist the Management to provide clear, consistent and congruent messages for the Group's businesses through the media in a speedy, professional and well-coordinated manner.

### Shareholders Communication Policy

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

### Policy on Securities Dealings and Handling of Confidential and Price-sensitive Inside Information

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

### Policy on Personal Data Governance

The Group is also committed to the safeguard and protection of the personal data of its customers and employees. Employees must only collect and use personal data in accordance with applicable data protection laws, as well as the Policy on Personal Data Governance and the applicable local policies and procedures.

### Information Security Policy

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

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

### Board Diversity Policy and Director Nomination Policy

The two Board policies, Board Diversity Policy and Director Nomination Policy, set out the approach to achieving diversity as well as the approach and procedures the Board adopts for the nomination and selection of Directors. Further details of the policies are provided on page 110 of this report.

### Internal Audit

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

GMSD is responsible for assessing the Group's risk management and internal control systems, including reviewing the continuing connected transactions of the Company (refer to pages 89 and 90 of this annual report for more details), formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the GFD/DMD and the senior management concerned as well as following up on the issues to ensure that they are satisfactorily resolved within the agreed timeline. In addition, GMSD maintains a regular dialogue with PwC so that the parties are aware of the significant factors which may affect their respective scope of work.

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

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

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022 covering all material controls, including financial, operational and compliance controls, and concurs with Management confirmation that such systems are effective and adequate. In addition, the Board, through the Audit Committee and the Sustainability Committee, has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting, and sustainability performance and reporting functions.



## NOMINATION OF DIRECTORS

### Nomination Committee

The Nomination Committee, chaired by Dr Rosanna Wong, an Independent Non-executive Director and with the Chairman Mr Victor T K Li and Independent Non-executive Director Mrs Sophie Leung as members, is in full compliance with the code provisions of the CG Code.

The responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills set of members of the Board against its needs and make recommendation on the composition of the Board to achieve the Group's corporate strategy as well as promote shareholder value. It identifies suitable director candidates and selects or makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules and reviews the Director Nomination Policy and the Board Diversity Policy periodically and makes recommendation on any proposed revisions to the Board.

### Nomination Process

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

Pursuant to the Director Nomination Policy, the Nomination Committee, in determining the suitability of a candidate, will consider the potential contributions a candidate can bring to the Board including the attributes complementary to the Board, the commitment, motivation and integrity of the candidate, having due consideration of the benefits of a diversified Board.

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

The Board comprises 17 Directors. The table below shows the Board structure, and skills set, expertise and competencies of the Directors:

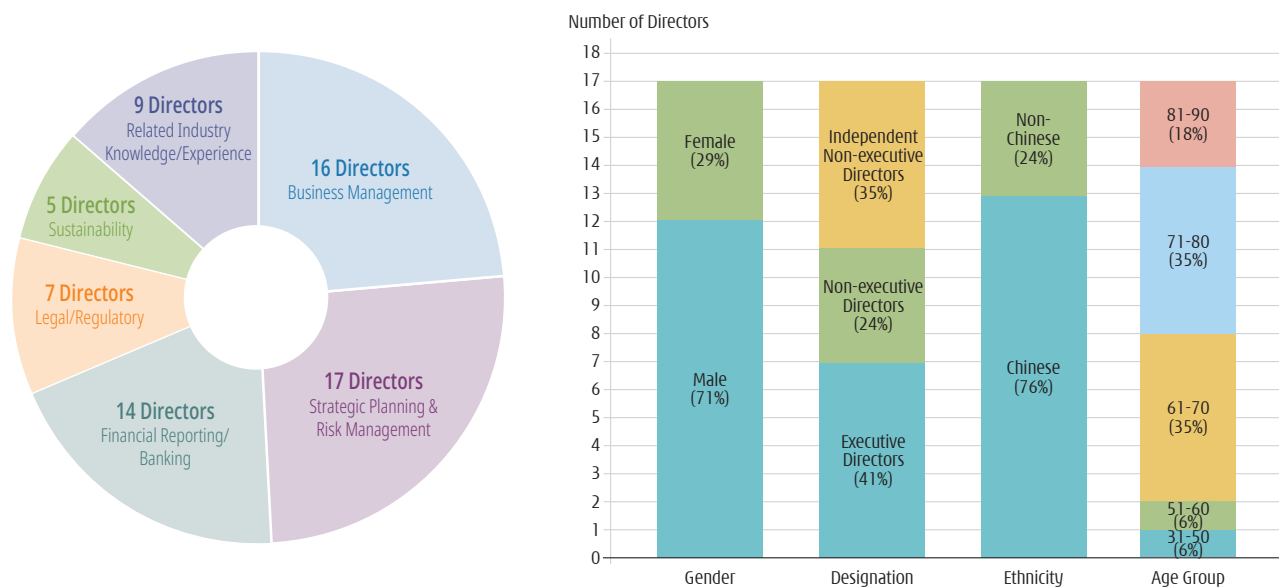
Structure and Size					Committees				Skills and Expertise					
Name	Age	Gender	Ethnicity	ED/NED/INED	Audit	Nomination	Remuneration	Sustainability	Business Management	Strategic Planning & Risk Management	Financial Reporting/ Banking	Legal/Regulatory	Sustainability	Related Industry Knowledge/ Experience
Mr Victor T K Li	58	M	C	ED		√	√		√	√	√			√
Mr Canning Fok	71	M	C	ED					√	√	√			√
Mr Frank Sixt	71	M	NC	ED				√	√	√	√	√	√	√
Mr Edmond Ip	70	M	C	ED					√	√	√		√	√
Mr Kam Hing Lam	76	M	C	ED					√	√	√			√
Mr Dominic Lai	69	M	C	ED					√	√	√			√
Ms Edith Shih	71	F	C	ED				√	√	√	√	√	√	√
Mr Roland Chow	85	M	C	NED					√	√		√		
Mrs Susan Chow	69	F	C	NED					√	√		√		√
Mr Charles Lee	86	M	C	NED					√	√	√	√		
Mr George Magnus	87	M	NC	NED					√	√	√			√
Mr Philip Kadoorie	31	M	NC	INED					√	√				
Ms Rose Lee	70	F	C	INED	√				√	√	√			
Mrs Sophie Leung	77	F	C	INED		√			√	√	√	√		
Mr Paul Tighe	66	M	NC	INED	√				√	√	√	√	√	
Mr Wong Kwai Lam	73	M	C	INED	√		√		√	√	√			
Dr Rosanna Wong	70	F	C	INED		√	√	√	√	√	√		√	

F: Female  
M: Male

C: Chinese  
NC: Non-Chinese

ED: Executive Director  
NED: Non-executive Director  
INED: Independent Non-executive Director

The charts below show the diverse skills set of the Directors and the diversity profile of the Board as at 31 December 2022:



Female representation at the Board stands at a relatively high level (29.4%, five out of 17 Directors) amongst companies listed on The Stock Exchange of Hong Kong Limited, increasing from 28% in 2021. The Company cements its commitment to gender diversity within its business so it continues to review and assess the appropriate level of gender diversity and composition that aligns with the strategy of the Company. The Board is of the view that it is not necessary to set numerical targets and timeline for board gender diversity for the time being. The Company actively seeks to ensure it has an appropriate mix of diversity and has a number of initiatives in place to meet its strategic imperative of ensuring it has a diverse Board. It also conducts structured recruitment, selection and training programmes at various levels within the Group to develop a broader pool of skilled and experienced potential Board members.

The Board also places tremendous emphasis on diversity (including gender diversity) across all levels of the Group. The total gender diversity of the Group is balanced, with a slightly higher female employee base driven by the Retail division. To support diversity across all facets, beyond gender, including race and ethnicity, disability, LGBTQ+, social mobility and age, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours. Further details on the gender ratio of the Group and initiatives taken to improve gender diversity across senior management and the wider workforce, together with relevant data, can be found in the 2022 Sustainability Report of the Group, which will be published together with this annual report.

If the Board determines that an additional or replacement Director is required, the Nomination Committee will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisers of the Company and external executive search firms. Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election. A circular containing the requisite information on retiring Directors will be sent to shareholders prior to the general meeting at which such Directors are to be proposed for re-election, in accordance with the Listing Rules.

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

## Corporate Governance Report

The Nomination Committee held two meetings in 2022 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Yick-ming, Rosanna ( <i>Chairman</i> )	2/2
Victor T K Li	2/2
Cheng Hoi Chuen, Vincent <sup>(1)</sup>	1/1
Leung Lau Yau Fun, Sophie <sup>(2)</sup>	1/1

Notes:

(1) Passed away on 28 August 2022.

(2) Appointed on 29 August 2022.

During 2022, the Nomination Committee reviewed the structure, size and composition of the Board, ensuring that it has sound diversity and a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. The Nomination Committee in December 2022 recommended to the Board the appointment of Mr Philip Lawrence Kadoorie as an Independent Non-executive Director. Mr Philip Lawrence Kadoorie is the son of The Hon Sir Michael David Kadoorie, a former Independent Non-executive Director whose resignation took effect on 16 December 2022 with no overlapping period of tenure between the two. The appointment of Mr Kadoorie was subject to a stringent assessment process in accordance with the Director Nomination Policy and Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy. The Company believes that Mr Kadoorie's substantial experience in power generation, transmission and distribution industry in Hong Kong, the Mainland China, Australia, India and Southeast Asia, his global market experience in the power industry as well as his property industry experience can bring in fresh perspectives and provide objective insights and independent judgment to the Board. Mr Kadoorie has also provided his confirmation of independence in respect of Rule 3.13 of the Listing Rules, and the Company is not aware of any factor adversely affecting his independence. Having taken into account the above and the independence criteria set out in Rule 3.13 of the Listing Rules, the Board is satisfied with the independence of Mr Philip Lawrence Kadoorie in acting as Independent Non-executive Director, and the Company considers that the above family relationship has no bearing on his independence as an Independent Non-executive Director.

The Nomination Committee also assessed the independence of all other Independent Non-executive Directors and considered all of them to be independent having regard to their annual independence confirmation and the assessment of their independence with reference to the independence criteria set out in Rule 3.13 of the Listing Rules. In particular, the Nomination Committee considered that all Independent Non-executive Directors continue to provide a balanced and independent view to the Board and play a leading role in the Board committees and bring independent and external dimension as well as constructive and informed comments on issues of the Group's strategy, policy, performance, accountability, resources, key appointments and standards of conduct. None of the Independent Non-executive Directors have any involvement in the daily management of the Company, or any financial or other interests or relationships in the business of the Company. In addition, there are no circumstances which would materially interfere with their exercise of independent judgment.

At its meeting in February 2023, the Nomination Committee reviewed again the structure, skills set, expertise and competencies of members of the Board, affirmed the independence of the Independent Non-executive Directors, deliberated and selected Directors for retirement and re-election at the 2023 annual general meeting and recommended to the Board for consideration. It also reviewed the Board Diversity Policy and Director Nomination Policy as well as their implementation and effectiveness during 2022. These are determined to be effective.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### Remuneration Committee

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

The Remuneration Committee held one meeting in 2022 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Yick-ming, Rosanna ( <i>Chairman</i> )	1/1
Victor T K Li	1/1
Cheng Hoi Chuen, Vincent #	N/A
Wong Kwai Lam	1/1

# Passed away on 28 August 2022.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating a broader and more diverse pool of employees of the highest calibre and experience needed to shape and execute the strategy across the Group's substantial, diverse and international business operations. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the Group's business activities and human resources issues, and headcount and staff costs. It also reviewed and approved the proposed 2023 directors' fees for Executive Directors and made recommendation to the Board on the proposed 2023 directors' fees for Non-executive Directors. Prior to the end of the year, the Remuneration Committee reviewed and approved the year end bonus and 2023 remuneration package of Executive Directors, subsidiaries' managing directors and senior executives of the Group. No Director or any of his/her associates is involved in deciding his/her own remuneration. The Remuneration Committee also reviewed and recommended to the Board updates to its terms of reference based on the latest CG Code which took effect on 1 January 2023.

### Remuneration Policy

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

## Corporate Governance Report

### 2022 Remuneration

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. Details of emoluments paid to each Director in 2022 are set out below:

Name of Directors	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
Victor T K LI <sup>(1)(2)</sup>						
<i>Paid by the Company</i>	0.31	5.01	69.84	–	–	75.16
<i>Paid by CK Infrastructure Holdings Limited ("CKI")</i>	0.13	–	30.65	–	–	30.78
	0.44	5.01	100.49	–	–	105.94
FOK Kin Ning, Canning <sup>(3)</sup>	0.22	11.88	191.03	1.07	–	204.20
Frank John SIXT <sup>(3)(4)</sup>	0.28	9.03	65.96	0.77	–	76.04
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.67	9.93	–	–	11.82
<i>Paid by CKI</i>	0.10	1.80	12.45	–	–	14.35
	0.32	3.47	22.38	–	–	26.17
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.47	9.24	–	–	11.93
<i>Paid by CKI</i>	0.08	4.20	11.42	–	–	15.70
	0.30	6.67	20.66	–	–	27.63
LAI Kai Ming, Dominic <sup>(3)</sup>	0.22	6.09	63.58	0.49	–	70.38
Edith SHIH <sup>(3)(4)</sup>	0.28	4.71	18.03	0.34	–	23.36
CHOW Kun Chee, Roland <sup>(5)</sup>	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan <sup>(5)</sup>	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles <sup>(5)</sup>	0.22	–	–	–	–	0.22
George Colin MAGNUS <sup>(5)</sup>						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
CHENG Hoi Chuen, Vincent <sup>(6)</sup>	0.29	–	–	–	–	0.29
Michael David KADOORIE <sup>(7)</sup>	0.21	–	–	–	–	0.21
Philip Lawrence KADOORIE <sup>(8)(9)</sup>	0.01	–	–	–	–	0.01
LEE Wai Mun, Rose <sup>(9)(10)</sup>	0.26	–	–	–	–	0.26
LEUNG LAU Yau Fun, Sophie <sup>(1)(9)</sup>	0.23	–	–	–	–	0.23
Paul Joseph TIGHE <sup>(9)(10)</sup>						
<i>Paid by the Company</i>	0.35	–	–	–	–	0.35
<i>Paid by CKI</i>	0.20	–	–	–	–	0.20
	0.55	–	–	–	–	0.55
WONG Kwai Lam <sup>(2)(9)(10)</sup>	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna <sup>(1)(2)(4)(9)</sup>	0.37	–	–	–	–	0.37
Total:	5.35	46.86	482.13	2.67	–	537.01

Notes:

- (1) Member of the Nomination Committee.
- (2) Member of the Remuneration Committee.
- (3) Directors' fees to these Directors from the Company's listed subsidiaries during the period they served as directors have been paid to the Company and are not included in the amounts above.
- (4) Member of the Sustainability Committee.
- (5) Non-executive Director.
- (6) Former Independent Non-executive Director and member of the Audit Committee, Nomination Committee and Remuneration Committee. Passed away on 28 August 2022.
- (7) Former Independent Non-executive Director. Resigned on 16 December 2022.
- (8) Appointed on 16 December 2022.
- (9) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK\$2.33 million (2021: HK\$2.29 million).
- (10) Member of the Audit Committee.

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

Remuneration Bands*	Number of Individuals
HK\$15 million to HK\$19 million	1
HK\$20 million to HK\$24 million	3
HK\$25 million to HK\$29 million	2
HK\$70 million to HK\$74 million	1

\* Rounding to the nearest million.

## RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

In order to stay attuned to changing expectations of stakeholders, the Group gives high priority to, and actively promotes, investor relations and constructive dialogue with the investment community throughout the year. Multiple channels of communication and engagement are available.

Through its Executive Directors, the GCAD, Group Investor Relations Department and the GCSD, the Group engages with and responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, webcasts, conference calls and presentations. In 2022, about 300 meetings were conducted with institutional investors and analysts by means of video calls, conference calls, group and one-on-one meetings and roadshows, with an increasing emphasis on sustainability strategy and priorities.

The Board also provides clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. The Memorandum and Articles of Association of the Company is published on the websites of the Group and HKEx. Moreover, a wide range of information on the Group is available to shareholders and stakeholders through the Investor Relations page on the Group's website. A dedicated Corporate Governance section is also available on the Group's website. This report and the corporate governance policies and practices are available and updated on a regular basis. There is also an expanded Sustainability section on the website containing further information on sustainability as well as the sustainability policies.

## Corporate Governance Report

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

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

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

The Company held one shareholders' meeting in 2022, being the 2022 AGM held on 19 May 2022 at Harbour Grand Kowloon as a hybrid meeting at which shareholders attended both physically and by electronic facilities. The 2022 AGM was attended by all of the Directors and PwC. The respective chairpersons of the Board, Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee all attended the 2022 AGM. Directors are requested and encouraged to attend shareholders' meetings.

Separate resolutions were proposed at the 2022 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 19 May 2022 are set out below:

Resolutions proposed at the 2022 AGM	Percentage of Votes
1 Adoption of the audited Financial Statements, the Reports of the Directors and the Independent Auditor for the year ended 31 December 2021	99.8382%
2 Declaration of a final dividend	99.9998%
3(a) Re-election of Mr Li Tzar Kuoi, Victor as Director	86.8801%
3(b) Re-election of Mr Frank John Sixt as Director	74.7243%
3(c) Re-election of Ms Edith Shih as Director	94.0918%
3(d) Re-election of Mrs Chow Woo Mo Fong, Susan as Director	95.8099%
3(e) Re-election of The Hon Sir Michael David Kadoorie as Director	97.1673%
3(f) Re-election of Ms Lee Wai Mun, Rose as Director	99.3391%
3(g) Re-election of Mrs Leung Lau Yau Fun, Sophie as Director	99.4409%
4 Re-appointment of PricewaterhouseCoopers as Independent Auditor and authorisation of Directors to fix the Auditor's remuneration	99.6407%
5(1) Granting of a general mandate to Directors to issue additional shares of the Company	97.9583%
5(2) Granting of a general mandate to Directors to repurchase shares of the Company	99.8219%

Accordingly, all resolutions put to shareholders at the 2022 AGM were passed. The results of the voting by poll were published on the websites of the Group and HKEx.

Other corporate information relating to the Company is set out in the “Information for Shareholders” section of this annual report. This includes, among others, dates for key corporate events for 2023 and public float capitalisation as at 31 December 2022.

The Group values feedback from shareholders and other stakeholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Company Secretary by mail to 48th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong or by email at cosec@ckh.com.hk. Institutional investors and analysts can contact the Group Investor Relations of the Company by mail to 47th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong or by email at ir@ckh.com.hk. The Company also sets up a dedicated email address (sustainability@ckh.com.hk) for stakeholders to provide feedback and suggestions on the sustainability reports and sustainability issues. The Board receives updates from the Company Secretary, the Head of Group Investor Relations and the Group’s sustainability lead from time to time on key issues raised by shareholders and investors. In developing and formulating Group strategy, the Board considers such key issues raised and takes shareholder and stakeholder feedback into account (see also page 120 of this report on the Group’s efforts to engage with a broad range of stakeholders on sustainability topics).

### **Shareholders Communication Policy**

The Audit Committee is responsible for regular review of the effectiveness and compliance with prevailing regulatory and other requirements of the Shareholders Communication Policy. In August 2021, the policy was updated to elaborate on the multiple avenues available for shareholders to communicate with the Company and vice versa. In March 2023, the Audit Committee reviewed the policy again and considered that the implementation of the policy was effective during 2022 (see “Audit Committee” on page 103 of this report).

### **Dividend Policy**

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

## **SUSTAINABILITY**

### **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, the Audit Committee, the Sustainability Working Group, the Governance Working Group and the Cyber Security Working Group as well as the sustainability functions embedded across all core businesses.

The Board level Sustainability Committee is chaired by Mr Frank Sixt with Ms Edith Shih and Dr Rosanna Wong as members.

The responsibilities of the Sustainability Committee are to propose and recommend to the Board on the Group’s sustainability objectives, strategies, priorities, initiatives and goals. It oversees, reviews and evaluates actions taken by the Group in furtherance of sustainability priorities and goals, including coordinating with business divisions of the Group and ensuring that their operations and practices adhere to the relevant priorities and goals. The Sustainability Committee also reviews and reports to the Board on sustainability risks and opportunities, monitors 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 Company’s sustainability programmes on its stakeholders, including employees, shareholders, investors, customers, business partners, suppliers, governments and regulators, local communities, non-government organisations, and the environment, and appraises and advises the Board on the Company’s public communication, disclosure and publications as regards to its sustainability performance.



## Corporate Governance Report

The Sustainability Committee held two meetings in 2022 with 100% attendance.

Members	Attended/Eligible to Attend
Frank John Sixt ( <i>Chairman</i> )	2/2
Edith Shih	2/2
Wong Yick-ming, Rosanna	2/2

During 2022, the Sustainability Committee focused on reviewing progress in 2021 against the actions the Group committed to in the 2020 Sustainability Report. It also reviewed and approved the 2021 Sustainability Report published in May 2022. The Sustainability Committee received a report on the allocation of the proceeds and the impact created from the green bond issued in October 2021. The adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's sustainability performance and reporting function was also examined and considered satisfactory by the Sustainability Committee.

At its meeting in March 2023, the Sustainability Committee reviewed the progress on 2021 sustainability goals and approved future goals. It also reviewed and recommended to the Board for approval the 2022 Sustainability Report, which will be published together with this annual report.

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 impact the material sustainability issues of the Group.

Sustainability is embedded in the risk management approach of the Group, through the bi-annual formal examination of all business divisions as to their material sustainability risks and presentations to senior management their plans on how these risks are managed as part of the bi-annual review of risk management and internal control systems. As an integral part of sustainability governance, these self-assessment results are subject to internal audits, then submission to the GFD/DMD biannually as well as the Audit Committee and Sustainability Committee respectively for review and approval.

### Sustainability Framework

The Group's overall sustainability approach and priorities are built on four pillars: Environmental, Social, Governance and Sustainable Business Model & Innovation, with the latter pillar underscoring the importance of sustainability integration into the business strategies of the Group and the commercial opportunities that sustainability presents. The Group-level framework includes eight goals which extend to all core businesses which complement, rather than replace, the business division level strategies which should always serve to address their individual material sustainability issues based on the sectors and geographies in which they operate.

Each pillar is supported by Group-wide policies, leadership at Group level and collective efforts of each core business division. On an ongoing basis, the Group continues to assess, update and refine its sustainability policies with a view of ensuring that its systems, processes, standards and practices are enabling the achievement of the sustainability objectives of the Group which also evolve to reflect emerging sustainability trends. These policies can be found in the "Sustainability Policies" section of the Group's website ([https://www.ckh.com.hk/en/esg/esg\\_policies.php](https://www.ckh.com.hk/en/esg/esg_policies.php)). These policies and the governance policies mentioned earlier in this report form the foundation of the sustainability governance framework of the Group.

## Progress

Beyond the following sustainability summary of progress, the standalone Sustainability Report of the Group, which will be published together with this annual report, will provide more details of the Group's sustainability initiatives and efforts.

During 2022, the Group dedicated significant efforts to accelerating its climate strategy focusing on developing science-based targets, net-zero pathways and scope 3 footprints.

With the Group's core businesses having set emissions reduction targets, underpinned by expansive action plans, the Group has decided to set its own Group-wide commitment of reducing scope 1 and 2 emissions by 50% by 2035 versus a 2020 baseline, as well as committing to the long-term pursuit of net-zero carbon emissions across its value chain by 2050. This target is based on the significant efforts by each of its core businesses in recent years to develop ambitious targets that are supported by expansive plans. During 2022, both A.S Watson and CK Hutchison Group Telecom had their targets validated as science based by the Science Based Targets initiative (SBTi). The Ports division also formally committed to having its newly developed targets validated by the SBTi during 2023. During the year, the Infrastructure division's business units continued to make progress towards their net-zero ambitions.

As part of the ongoing efforts to align the Group's climate action strategy development and reporting to leading practice frameworks, the Company has leveraged the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to provide more detailed insight to the Group's climate-related governance, strategy, risk management, and metrics and targets. During 2022, the Group published its first standalone TCFD report which it plans to supplement its next iteration with further scenario analyses during 2023.

To finance or refinance green projects, the Group also launched its inaugural green bond in October 2021 alongside its Sustainable Finance Framework. This first issuance was closed out during 2022 and the Group's first Green Bond Report is available on the Group's website.

Sustainability is prioritised by the Group not only because of the risks it poses but also as it acts as a growth opportunity for the Group. Throughout 2022, the Group's core businesses continued to invest in innovation and technology to create competitive advantage and future-ready its business:

- The Ports division finalised its net-zero transition strategy in line with its long-term ambition of achieving net-zero before 2050. To support this, it has mandated that all new investments in mobile and stationary machinery will be fully electric or supplemented with other forms of clean energy.
- Through its Greener Stores Framework launched in 2022, the Retail division is aiming for higher levels of sustainability integration in the way its business units design, construct, operate and maintain stores. A.S. Watson brands also continued to expand their sustainable product portfolio focusing on the use of sustainable raw materials in product and packaging, incorporating circular economy approaches, and making their beauty lines more inclusive.
- CKI's businesses continued to invest in innovation and technology to develop solutions for the hydrogen transition in gas networks; hydrogen-powered trains; distributed solar-powered systems; remote and renewable energy generation solutions; renewable natural gas; carbon capture, use and storage; and smart city solutions. As highlights during 2022, Northern Gas Networks achieved a world-first when it completed a six-month trial of supplying 100% hydrogen through existing natural gas infrastructure. Hong Kong Electric also continued its plans to phase out all coal-fired power generation before 2035 by putting its second of three new 380-MW gas-fired combined-cycle generating units into commercial operation in May 2022.
- The ongoing investment in the 5G rollout of the Telecommunications division is enabling greater opportunities for mobile connected technologies that can facilitate rapid reductions in emissions as well as greater levels of digital inclusion to less connected segments of society.

## Corporate Governance Report

### Stakeholders Engagement

Throughout 2022, the Group continued its ongoing efforts to engage with a variety of stakeholders. As the Group has a diverse range of businesses and operates in about 50 countries/markets, 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. Recognising that sustainability performance is becoming an important investment decision factor for investors, the Company is dedicating significant efforts to investor outreach on sustainability topics as well as engaging with the ESG ratings agencies highlighted as most important to the Group's top investors. In recognition of this effort, the Group's ESG rating by MSCI was upgraded two notches from a B to a BBB (see "Relationship with Shareholders and Other Stakeholders" on pages 115 to 117 of this report).

The Group aspires to be an employer of choice through competitive remuneration packages, continuous professional training, and a safe and inclusive working environment. As part of the talent pipeline development, monthly in-house and external training courses and programmes covering a wide range of topics including technical skills development training, soft skills training and wellness programmes are provided to employees at all levels. Further, Group companies work with educational and professional institutions to inspire, train and mentor the younger generation for future careers with the Group. The Group is committed to providing a work environment that is free from all forms of discrimination on the basis of race, ethnicity, gender, creed, religion, age, disability, sexual preference or position. It is a Group policy to provide equal opportunity to all employees with regard to hiring, pay rates, training and development, promotions and other terms of employment.

Focusing on inclusion and diversity continues to be a priority focus area. Recognising there are multiple pillars to inclusive workplaces, each business division dedicated focus to areas most in need of attention and of greatest importance to their employees. For the Ports, Telecommunications and Infrastructure divisions, creating more gender diverse workplaces continues to be a top focus with these businesses facing barriers relating to stereotypes of being traditionally male-dominated. Recognising leadership approaches to inclusion and diversity, among other awards received across the businesses, both Wind Tre and Superdrug were recognised in the 2022 Financial Times' Diversity Leaders index. Superdrug is celebrated for its expansive programme encompassing six focuses: Age, Social Mobility, Disability, Gender Equality, LGBTQ+, and Race & Ethnicity. Wind Tre's proactive approach extends to the inclusion of diversity goals and metrics in management compensation schemes. In 2022, Wind Tre also became the first telecommunications company to achieve the EQUAL-SALARY certification from the EQUAL-SALARY Foundation following a successful audit by PwC to show it has applied equal pay for women and men.

### Compliance with Laws and Regulations

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

The Group is not aware of any incidents of non-compliance with laws and regulations that may have a significant impact on the Group concerning employment, occupational health and safety or labour standards, product responsibility, anti-corruption, air and water discharges, and generation of waste during the year (see also page 107 of this report on the Group's compliance with the relevant laws and regulations which have a significant impact on the Group).

By order of the Board

**Edith Shih**

*Executive Director and Company Secretary*

Hong Kong, 16 March 2023