

# SUSTAINABLE BUSINESS MODEL & INNOVATION

The Group's core businesses play a significant role in supporting the daily lives of tens of millions of people by operating some of the world's biggest ports and retailers, infrastructure companies, and mobile multimedia telecommunication networks. The Group strives to create and capture value for all stakeholders by adapting continuously and proactively to social, environmental, and market conditions.

The Group is committed to protecting and promoting the interests of its customers by delivering its essential services with excellence. In the face of many complex and unprecedented challenges, the Group's core businesses are embracing innovation and collaboration to address sustainable development challenges and opportunities, such as building resilience to climate change, reaching underserved communities, and engaging with customers to live and shop more sustainably.

This section of the report is linked with additional content in the Environmental and Social pillars and serves to emphasise how the Group is using sustainability as a lens to adapt its current and future business models as a source of value creation. In doing so, it is building a more successful and resilient business for many years to come.

## GROUP GOALS

- OFFER CUSTOMERS SUSTAINABLE PRODUCTS AND INVEST IN AND EMBRACE INNOVATION TO ACHIEVE TRANSFORMATIONAL IMPACT

## CONTENT IN THIS SECTION

- SERVICE EXCELLENCE
- CLIMATE RESILIENT BUSINESS
- SOCIAL INCLUSION
- SUSTAINABLE PRODUCT CHOICES




### Linked SDGs



## SERVICE EXCELLENCE

The Group's core businesses work tirelessly to satisfy the daily needs of their customers. The Group's business units adapt to evolving market conditions by engaging regularly with customers and gaining insights into areas of interest or concern. Safety is always the top priority. The Group's robust management systems ensure quality and mitigate environmental, safety, and security hazards, including comprehensive internal and external audit processes supplemented by customer relationship management and complaints handling procedures.

This topic on Service Excellence is closely linked with other material topics in the Group Sustainability Framework, including:

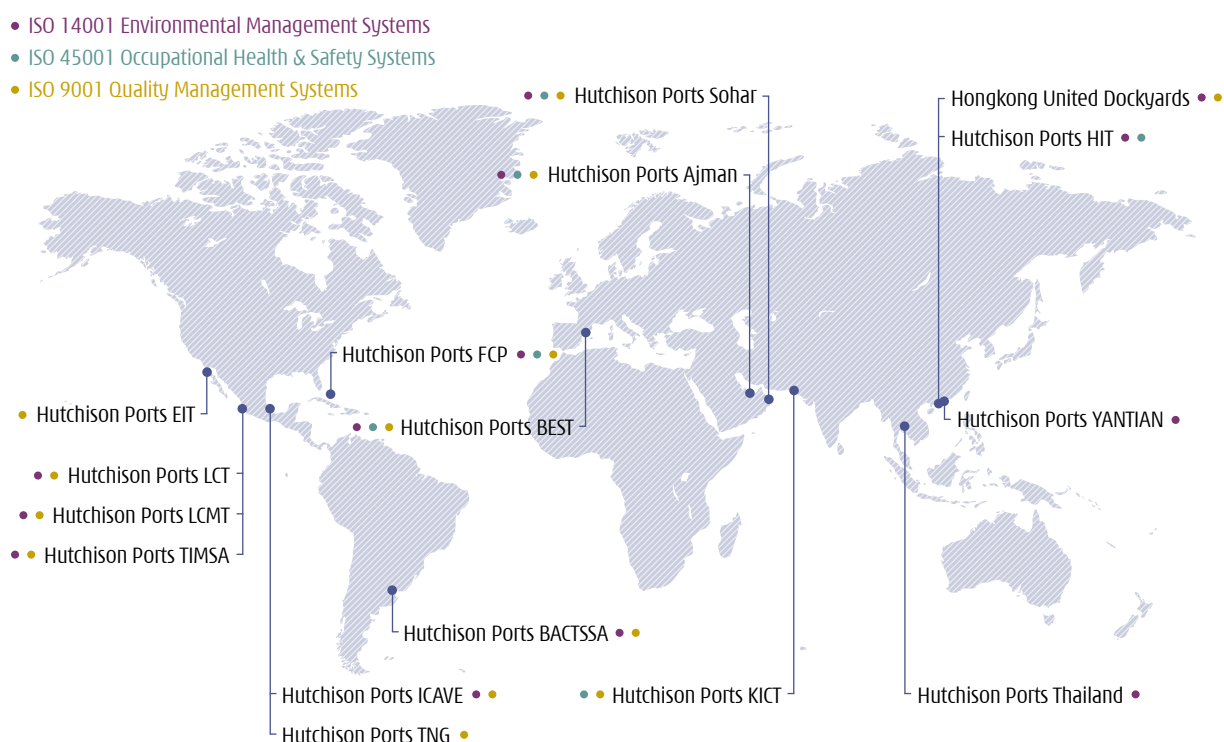
- [Supplier Screening and Assessments](#) 
- [Data Privacy and Cyber Security](#) 
- [Health, Safety and Wellbeing](#) 

## ISO Management Systems

Quality Management Systems (QMS), Environmental Management Systems (EMS), Safety Management Systems (SMS), and Information Security Management Systems (ISMS) guide the Group's business units to perform their daily operations in a consistent and reliable way by establishing and administering a set of robust processes and procedures incorporating management reviews, data analysis, corrective actions, and audits. To provide additional assurance for customers and regulators, many of the Group's business units obtain certification for their management systems in accordance

with international standards, and according to areas of need in line with industry impacts. For example, the Retail division implements QMS throughout its manufacturing operations. A.S. Watson's factories in China, including Hong Kong, maintain ISO certifications. PARKnSHOP has received ISO 17025 certification for its in-house chemical laboratory, which affirms technical competence in testing and calibration. Thirteen of Hutchison Ports' largest ports have received ISO 9001 certification, with further significant support for ISO 45001 and ISO 14001.

**Figure 10** ISO certification at Hutchison Ports







Hutchison Ports Port of Felixstowe



## Quality and Safety Standards

The quality and safety management systems in place across all core businesses comprise of senior management oversight, clear delineation of responsibilities, appointment of dedicated personnel, coordination of Emergency Response Planning, and processes and procedures for record keeping and documentation. They also focus

on hazard identification and safety risk assessment and mitigation.

Many of the Group's business units have published performance standards exceeding regulatory requirements and reflecting market-leading practices.



Ports

### LEADING THE INDUSTRY ON DEFINING AND PROMOTING BEST PRACTICE

Hutchison Ports is an active member of the International Cargo Handling Coordination Association (ICHCA), which is a not-for-profit organisation dedicated to improving the safety, security, sustainability, and efficiency of cargo handling and goods movement. Through the Technical Panel and Dangerous Goods Working Group, it is working collaboratively with industry partners to develop and communicate leading practice guidelines on expected standards.



Hutchison Ports ICAVE

## Infrastructure



## DELIVERING WORLD-CLASS STANDARDS OF SERVICE

HK Electric has achieved world-class supply reliability ratings consistently exceeding 99.999% since 1997. Its commitment to service excellence has been codified in its corporate policies on Quality, Customer Services, Complaints Handling, and Corporate Security that guide its workforce to achieve total customer satisfaction through continuous improvement. Its Customer Services Steering Committee monitors service performance with reference to specific and measurable targets and its Stakeholder Satisfaction Steering Committee reviews customer complaints to ensure full and timely resolution.



# HK Electric has achieved world-class supply reliability ratings consistently exceeding 99.999% since 1997.

## Business Continuity Planning

Business continuity planning across the Group contains many common elements focused on resilience, recovery, and contingency, with plans tailored to the industry needs of each core business. For example, business units in the Telecommunications division have developed business continuity plans and manuals to maintain network resilience as part of the division's comprehensive risk management framework. These policies and protocols lay out the procedures, management responsibilities, internal and external courses of action, and lines of communication to be undertaken in times of crisis. They proved invaluable during the COVID-19 pandemic for facilitating effective decision-making and protecting health and safety while minimising disruption to services.

## Customer Relationship Management

The Group's core businesses implement various mechanisms for measuring customer satisfaction and monitoring feedback to follow up on complaints and implement corrective actions. The Retail division, for example, conducts regular customer surveys in each market, enabling dynamic incorporation of feedback on many aspects of customer satisfaction, including store environment, product range, prices and loyalty programme benefits, staff conduct and knowledge, and Net Promoter Score (the benchmarking tool for customer satisfaction).



In July 2022, customers rated UK Power Networks as the top organisation across the UK for customer service, as measured by the Institute of Customer Service's UK Customer Service Index.



## CLIMATE RESILIENT BUSINESS

The climate emergency is no longer perceived as a problem only for the future, but also a present-day reality. Climate resilient business can therefore be defined as the capacity to adapt and thrive in the face of impacts from global warming now, and into the future, as well as the ability to manage the risks and opportunities presented as the low-carbon transition occurs.

The Group has identified 10 net-zero transition opportunities for achieving transformational change of its businesses over the long-term based on current business expectations and structure. Please refer to the [Decarbonisation](#) section of this report for more information about the Group's management approaches to reducing and eliminating GHG emissions in its direct operations and wider value chain.

### Embracing Innovation

The Group is at the forefront of delivering breakthrough innovations that support customers to make progress in meaningfully reducing their GHG emissions.

Aligned to the Group's [10 net-zero transition opportunities](#), the business opportunities outlined in the following table demonstrate how the Group is investing in new business models and solutions to ensure that it remains a partner of choice for customers in their pursuit of net-zero.



Solar array developed by Beon Energy Solutions at Melbourne Airport

Table 1 Summary of business opportunities

<b>Renewable and other clean energy generation</b>	<ul style="list-style-type: none"> <li>Freeport East, centred on the Port of Felixstowe and Harwich International Port, aims to be a green hydrogen hub that helps its customers to achieve the lowest possible impact while docked at the port.</li> <li>Northern Gas Networks, Wales &amp; West Utilities and Australian Gas Infrastructure Group (AGIG) are among the first to conduct real-world trials demonstrating how existing gas networks in the UK and Australia can be converted safely and affordably to 100% hydrogen. All three business units have long-term aims to transition their gas networks to zero-carbon.</li> <li>The Group's electricity network operators are innovating to enable industry-leading levels of renewable energy connections to the grid through distributed energy resources.</li> <li>In addition to its commitment to net-zero by 2027, Northumbrian Water is the first water company in England to successfully convert 100% of its sewage sludge into renewable energy through advanced anaerobic digestion.</li> <li>EDL and AVR helped customers to abate over 4.7 million tonnes of GHG emissions in 2022 across their large portfolios of landfill gas, waste coal mine gas, and waste-to-energy sites globally.</li> </ul>	
<b>Clean transportation</b>	<ul style="list-style-type: none"> <li>To achieve its aim to be the preferred partner in a sustainable supply chain, Hutchison Ports is delivering an expansive electrification conversion programme across its ports, installing mobile shore power, and expanding rail connections to help further reduce its customers' footprints.</li> <li>With around 80% of its rolling stock already electric or bi-mode, UK Rails is well-positioned to be a partner of choice in the UK transport industry's journey to net-zero. UK Rails also continues to explore innovations for its assets such as hydrogen and battery technologies to support the UK's decarbonisation agenda.</li> </ul>	
<b>Energy efficiency and smart city solutions</b>	<ul style="list-style-type: none"> <li>The Telecommunications division is increasingly offering digital solutions and 5G-connected technologies to enable improvements in efficiency and GHG emissions reductions for its customers.</li> <li>CKDelta, the Telecommunications division's data innovation business, has built expertise in understanding how all elements of the electric vehicle ecosystem interact. It is well-positioned to help other market participants in this complex rollout, including power distributors, charge point operators, urban planners, and payment solutions providers.</li> <li>WINDTRE has a business goal to be the "smart partner of 100 smart cities" delivering Italy's cities with 5G-connected innovation to drive energy efficiency and smart mobility, among other solutions.</li> <li>ista is one of the world's leading companies in providing products and services for greater energy efficiency, specialising in smart metering and billing solutions.</li> <li>Reliance Home Comfort offers an array of Green Home Solutions, including energy efficient heat pumps, smart thermostats, and tankless water heating systems that can achieve efficiencies of up to 96%.</li> </ul>	



Horizon Ventures



## EXPLORING THE HORIZON OF DISRUPTIVE TECHNOLOGIES

Horizons Ventures' extensive philanthropic network and portfolio of early-stage investments is an important source of collaboration and innovation for the Group.

Mr Li Ka-shing, the Group's founder and Senior Advisor, is a well-known and respected investor in innovation and disruptive technologies. Through Horizon Ventures, the Li Ka Shing Foundation supports a portfolio of start-up enterprises working on climate change solutions, such as ZeroAvia exploring zero-emissions aviation, Syzygy Plasmonics looking at cost-efficient, localised production of green hydrogen, Keel Labs transforming the global textile ecosystem with yarns and fibers made from kelp, Notpla pioneering the use of seaweed to make packaging disappear, and Loam Bio working on carbon capture and sequestration from major grain crops.

## Climate Adaptation

It is essential for the Group to protect its employees and assets by adapting to the unavoidable consequences of climate change.

In 2021, Hutchison Ports commissioned a global climate risk assessment of its ports to further assess the physical impacts of climate change. Each port was assessed against a set of climate risks looking at both the severity and likelihood of potential impacts. The assessment resulted in a hierarchy of most exposed ports by type of climate risk. During 2022, the division developed a shortlist of higher priority ports for business units to further address and monitor relevant physical and transition risks.

The Group's business units in the Infrastructure division are taking proactive measures to understand and protect their assets from the adverse effects of climate change. UK Power Networks' Storm Resilience Innovation Project, for example, developed an advanced tool combining network data and live weather forecasts to predict faults and facilitate pre-emptive maintenance. UK Power Networks is now working on developing this project further to support the business on a wider scale.

In Australia, the Group's electricity distribution businesses are impacted by increasingly frequent and severe bushfires linked to rising temperatures. They are reducing risks of power loss to affected communities by digging power lines underground and installing covers on overground lines. Victoria Power Networks uses advanced technology to detect vegetation growth near its infrastructure.



>15,500  
kilometres

**Rapid Earth Fault Current Limiters are being installed in substations to provide additional protection in over 15,500 kilometres of its network.**

Rapid Earth Fault Current Limiters are being installed in substations to provide additional protection in over 15,500 kilometres of its network. These act like giant safety switches, reducing voltage levels in milliseconds if a line gets struck by a tree or other object.

## Climate-related Financial Disclosures

The Group has aligned its approach to reporting on climate change with the framework from the Taskforce on Climate-related Financial Disclosures (TCFD). Its inaugural [TCFD Report 2021](#) was published in 2022, structured around 11 recommended disclosures and covering four core thematic areas of Governance, Strategy, Risk Management, and Metrics & Targets.

The Group is committed to continuously improving the coverage and quality of each iteration of its TCFD Report.

## Infrastructure



## COMPREHENSIVE CLIMATE SCENARIO ANALYSIS



In 2022, the Infrastructure division assessed climate-related risks and opportunities that have the potential to materially impact its business. It is currently working on a detailed scenario analysis to understand how the key value drivers of its businesses would be affected under two climate scenarios by 2050—a 4°C business-as-usual scenario and a 1.5°C high-transition scenario.

The Group will continue to enhance its scenario analysis of other core businesses in 2023.



Beon engineers

## SOCIAL INCLUSION

Sustainable businesses recognise their role in improving opportunities for marginalised groups and seek to respond proactively by nurturing diversity, equity, and inclusivity in the way they manage their operations and through the products and services they deliver to their customers.

Since 2015, Superdrug, in the Retail division, has promoted inclusion and diversity by seeking the opinions and perspectives of women of colour and making changes to cater for their beauty needs. In the context of the cost-of-living crisis that is currently affecting so many people around the world, the Group's core businesses strive to meet the needs of lower income and vulnerable communities by delivering affordable and sustainable products and services.

Retail



### RESPONDING TO THE NEEDS OF UNDER-REPRESENTED GROUPS

Superdrug's #ShadesOfBeauty campaign was launched in 2016 informed by market research revealing that two thirds of Black and Asian women felt high street shops did not meet their needs. It commissioned a further study in 2021 focusing on representation in publicity and marketing and has subsequently committed to 10 short-term pledges designed to continue to transform its business model.

Pledges	Status
Increase representation across points of sale, websites, and social imagery	✓ New brand visuals achieved in 2021
Elevate the voices of Black and mixed-heritage creators and brand founders	✓ Marketing channels feature these businesses at least once a month
Adopt the Halo Code guaranteeing employees freedom and security to wear all afro-hairstyles without restriction or judgment	✓ Implemented in 2021
Introduce new Black-founded brands to the high street	✓ This range expanded by 10% in 2021 and another 10% by end of 2022
Offer the largest range of Own Brand kinks, curls, and coils products on the high street	✓ Implemented in 2021
Increase the number of Black-owned brands	✓ Achieved in 2021
Continually develop products to meet the needs of our diverse customer base	✓ The most inclusive own brand cosmetics shade range to date was launched in 2022
Provide additional skincare training for pharmacists and nurses to recognise and treat skincare conditions in people with different skin tones	✓ Achieved in 2021
Continue to challenge beauty and healthcare service providers to be more inclusive	Ongoing
Provide additional training for sales advisors on Black and darker-toned skincare, hair, and beauty products	✓ Training provided in 2021 and 2022





3 Hong Kong training for senior citizens

## Digital Inclusion

In the second decade of the 21st century, our digitally connected way of life brings many benefits but also exacerbates challenges for disadvantaged groups. Rising popularity of remote working, learning, and entertainment during the COVID-19 pandemic threatens to widen even further the gap for people who lack digital know-how or access to connectivity.

### Senior citizens

One area of focus for the Telecommunications division is reducing barriers for senior citizens. In pursuit of its goal to connect 100% of seniors by 2025, WINDTRE, for example, has partnered with AnyTech365 to offer tailored technical support for people over 60 years, including video tutorials on basic smartphone functions such as sending WhatsApp messages, making video calls, and shopping online. 3 Hong Kong aims to expand the accessibility of its services for senior citizens through its Lo-Yau-Kee Monthly Service Plan Sponsorship, "Safety Phones" and data service sponsorships to the elderly in order to cater to different needs.

### Remote community access

Helping to close rural-urban connectivity gaps that persist in many markets serviced by the Group is another priority for the Telecommunications division.

3 UK has a target to reach 90% geographical coverage of the UK by 2027. It is working with the UK Government and other mobile operators on the Shared Rural Network, which will provide guaranteed coverage for 280,000 additional dwellings and 16,000 additional kilometres of rural roads. In December 2022, 3 UK began construction work on the UK's first joint site, which is expected to transform connectivity for residents and businesses on the Isle of Mull from early 2023.

3 Ireland is partnering with the Arranmore Business Council to overcome barriers for social and economic development on the remote island of Arranmore located five kilometres off the coast of Donegal. Among other initiatives, it has equipped the island's Digital Hub with superfast connectivity and state-of-the-art conferencing facilities to facilitate remote working.

### Support for small businesses

Small and medium-sized enterprises play an integral role in sustaining local economies. In Ireland, where 99.8% of businesses employ fewer than 250 people, 3 Ireland offers a range of services tailored to the needs of small business owners such as security solutions, WAN connectivity, and Unified Communications. During the COVID-19 pandemic, 3 Austria participated in a government initiative providing thousands of small businesses with high-performance, free Internet. It also offers free digital checks and training for small-scale enterprises through its "Drei Digitalimpuls" programme.

## SUSTAINABLE PRODUCT CHOICES

The Group strives to make sustainable choices easier for retail customers by overcoming barriers in everyday life. Its approach to SDG 12 (Responsible consumption and production) is focused on finding solutions to decouple business growth from environmental degradation by “doing more and better with less”.

This topic on Sustainable Choices is closely linked with other material topics in the Group Sustainability Framework, including:

- [Supply Chain Responsibility](#)
- [Circular Economy](#)

### Consumer Preferences

For several years, the Retail division has observed a distinct and encouraging trend among consumers in favour of more sustainable choices. Superdrug's latest survey measuring brand values and

customer connection, for example, reveals that more than 50% of respondents prioritise the ethics of beauty and personal care brands when making their selection.

Retail



### SUSTAINABLE CHOICES AT WATSONS

Watsons has recently relaunched its Sustainable Choices campaign to highlight products with reduced environmental impacts.

In close collaboration with brand partners including Procter & Gamble, L'Oréal, Shiseido, Beiersdorf, GlaxoSmithKline, Johnson & Johnson, Kao, Reckitt, and Unilever, it has brought more than 1,600 products with sustainability attributes to market both in-store and online. Its Sustainable Choices filter and labelling system organises the products into four categories:

- Clean beauty - formulated with ingredients you can trust and with additional reduced environmental impact
- Refill, reuse or replace - resulting in less waste
- Better ingredients or materials - ingredients (formulated) or materials (non-formulated) that help to protect biodiversity and/or reduce waste
- Better packaging - options that help to protect biodiversity and/or reduce waste



Refill stations at Watsons shops help reduce packaging waste

## Retail



## VEGAN SKINCARE



B. Cosmetics' vegan range of skincare products was launched in 2017 as part of Superdrug's Doing Good Feels Super campaign. This specialty line has since become a mainstream offering, with Superdrug now stocking 1,600 products that are suitable for vegans.

## SUSTAINABLE, AND AFFORDABLE



In response to increasing consumer interest, Kruidvat is re-launching its Natuurlijk & Voordelig (Natural & Affordable) campaign that was initially introduced in 2020 to promote brands with positive sustainability impacts at accessible prices.

## Telecommunications



## ETHICAL OPTIONS FOR SMARTPHONE USERS

Ethical choices are an emerging trend in other consumer segments too, such as the market for smartphone devices. As an example, **3** Denmark is proud to offer its customers the option to select Fairphone products.

Fairphone is an Amsterdam-based company that began originally as a campaign to raise awareness about conflict minerals. Its mission now goes beyond responsible sourcing to promote the circular economy, with durable, modular mobile phone designs that are easy to modify, update, and repair.





## Customer Engagement in the Circular Economy

Consumer participation is essential for driving the circular economy. Take-back programmes, for example, are an increasingly important way for businesses with retail operations

to engage with consumers on implementing shared solutions to environmental challenges.

Retail



### INTRODUCING REFILL AND TAKE-BACK SERVICES THROUGHOUT ASIA

The Group's Retail division is leading the way on collecting and recycling empty containers for personal care and cosmetics products and water bottles. In partnership with major brands, such as Proctor & Gamble and L'Oréal, it has introduced take-back schemes across its markets throughout Asia (excluding Indonesia) and is in the process of expanding in-store refill opportunities for customers in several major markets.

Market	Take-back	In-Store Refill
Mainland China	✓	
Hong Kong	✓	✓
Indonesia		
Malaysia	✓	✓
Philippines	✓	✓
Singapore	✓	✓
Thailand	✓	
Turkey	✓	
Taiwan	✓	

In Hong Kong, Watsons has implemented plastic packaging collection and recycling for cosmetic and makeup products in all stores city-wide under its "Beauty for the Future" campaign. In 2022, it collected and recycled over 230,000 containers of different material types. The division has also launched a city-wide plastic bottle container collection programme in Hong Kong, placing reverse vending machines in public spaces throughout the city.



**230,000**  
containers

In 2022, Watsons collected and recycled over 230,000 containers of different material types.



For the second consecutive year, Watsons Philippines is proud to partner with Plastic Bank, a non-profit organisation working to reduce plastic waste and alleviate poverty.

The Telecommunications division has implemented take-back programmes for mobile devices in most major markets. In response to changing consumer expectations, it is also embracing new business opportunities in the sharing economy, exploring device-as-service solution models that transform the life-cycle dynamic of device use and maintenance beyond the point of sale.

**3** Austria, **3** Denmark, **3** Sweden, **3** UK and WINDTRE all provide a mechanism for customers to return or trade-in used smartphones, with suitable arrangements in place for refurbishing and/or recycling these devices. In 2022, WINDTRE and **3** Sweden added refurbished smartphones to its product portfolio. **3** Hong Kong's Recycling Handsets and Accessories Programme collects used handsets and accessories in selected shops. Equipment in good working condition is refurbished and donated to people in need, while other materials are recycled through a government-led scheme.

## Telecommunications



### GIVING A SECOND LIFE TO DONATED DEVICES

There are millions of old smartphones out there that can be salvaged to support people-in-need. In 2022, **3** UK revamped its Reconnected programme of giving a second life to its donated devices. After repackaging old phones with unlimited data, texts, and calls for six months, **3** UK works with NGOs to ensure they find their way into the hands of people who are most deserving, such as refugees displaced by the war in Ukraine, job-seekers applying for employment, and students who will benefit from greater access to educational opportunities.

