

# 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 effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal controls, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2014 with all 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 those in respect of the nomination committee. The reasons for deviation are explained below in this report.

## THE BOARD

### Corporate Strategy

The primary objective of the Company is to enhance long-term total return for shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Chairman's Statement and the Operations Review contain discussions and analyses of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objective.

### Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company.

The Board, led by the Chairman, Mr Li Ka-shing, 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 Managing Director.

### Board Composition

As at 31 December 2014, the Board comprised 14 Directors, including the Chairman, Deputy Chairman, Group Managing Director, Deputy Group Managing Director, Group Finance Director, two Executive Directors, two Non-executive Directors and five Independent Non-executive Directors.

During the year, Mr Holger Kluge resigned as an Independent Non-executive Director and Mr Cheng Hoi Chuen, Vincent was appointed as an Independent Non-executive Director on 10 July 2014.

Mr Cheng is a seasoned banker who possesses in-depth knowledge and expertise in accounting, banking and finance, both locally and overseas, and he satisfies the independent requirements under the Listing Rules.

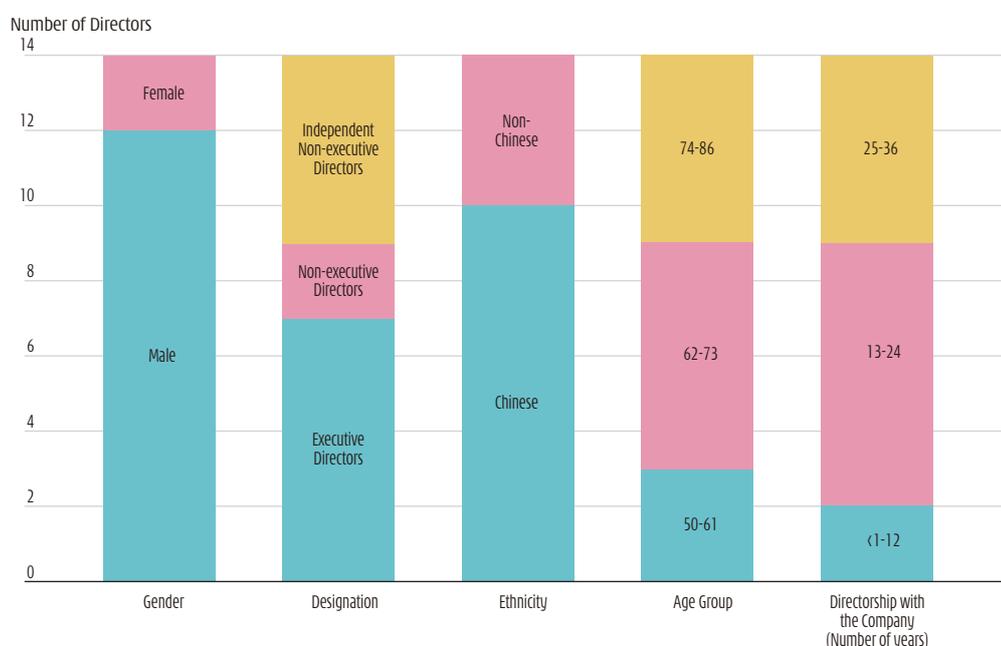
The Board is of the view that the qualification, expertise and experience of Mr Cheng would complement the existing Board. It believes that the appointment of Mr Cheng would bring a perspective of significant benefit to the Group.

The Board has adopted a policy which recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

Board appointment has been, and will continue to be, made based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board.

The Board diversity policy is available on the website of the Group ([www.hutchison-whampoa.com](http://www.hutchison-whampoa.com)). The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

The following is a chart showing the diversity profile of the Board:



Biographical details of the Directors are set out in the “Information on Directors” section on pages 110 to 113 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)).

The Board has assessed the independence of all the Independent Non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

### Chairman, Deputy Chairman and Executive Directors

The roles of the Chairman and the Deputy Chairman are separate from that of the Group Managing Director. Such division of responsibilities reinforces the independence and accountability of these Directors.

The Chairman, assisted by the Deputy Chairman, Mr Li Tzar Kuoi, Victor, 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 and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and 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 provide effective communication with shareholders and other stakeholders, as outlined later in the report.

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The Group Managing Director, Mr Fok Kin Ning, Canning, assisted by the Deputy Group Managing Director, Mrs Chow Woo Mo Fong, Susan, is 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 manager of the Group's businesses, the Group Managing Director attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Deputy Group Managing Director and the Group Finance Director, Mr Frank John Sixt, other Executive Directors and the executive management team of each core business division, he presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Group Finance Director, the Group Managing Director sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action if necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

### Board Processes

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 and development of the Group. Throughout the year, 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 the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors 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 an agenda with supporting Board papers 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 who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

The Company held four Board meetings in 2014 with an average of approximately 96% attendance. All Non-executive Directors (including Independent Non-executive Directors) attended the annual general meeting of the Company held on 16 May 2014 other than one Independent Non-executive Director due to personal reasons.

Name of Director	Board Meeting Attended/Eligible to Attend	2014 Annual General Meeting Attended
<b>Chairman</b>		
Li Ka-shing <sup>(1)</sup>	4/4	✓
<b>Executive Directors</b>		
Li Tzar Kuoi, Victor <sup>(1)</sup> ( <i>Deputy Chairman</i> )	4/4	✓
Fok Kin Ning, Canning ( <i>Group Managing Director</i> )	4/4	✓
Chow Woo Mo Fong, Susan ( <i>Deputy Group Managing Director</i> )	4/4	✓
Frank John Sixt ( <i>Group Finance Director</i> )	4/4	✓
Lai Kai Ming, Dominic	4/4	✓
Kam Hing Lam <sup>(1)</sup>	4/4	✓
<b>Non-executive Directors</b>		
Lee Yeh Kwong, Charles	4/4	✓
George Colin Magnus	4/4	✓
<b>Independent Non-executive Directors</b>		
Cheng Hoi Chuen, Vincent <sup>(2)</sup>	2/2	N/A
Michael David Kadoorie	3/4 <sup>(4)</sup>	✓
Holger Kluge <sup>(3)</sup>	1/2	-
Lee Wai Mun, Rose	4/4	✓
William Shurniak	4/4	✓
Wong Chung Hin	4/4	✓

Notes:

- (1) Mr Li Ka-shing is the father of Mr Li Tzar Kuoi, Victor and brother-in-law of Mr Kam Hing Lam.
- (2) Appointed on 10 July 2014.
- (3) Resigned on 10 July 2014.
- (4) Due to commitment overseas, The Hon Sir Michael David Kadoorie arranged for his alternate to attend the Board Meeting held in February 2014. The attendance of the alternate has not been counted in the above attendance record.

In addition to Board meetings, the Chairman holds regular meetings with Executive Directors and at least two meetings with Non-executive Directors (including Independent Non-executive Directors) annually without the presence of Executive Directors. The Non-executive Directors (including Independent Non-executive Directors) freely provide their independent opinion to the Board.

All Non-executive Directors are engaged on service contracts for 12-month periods. All Directors are subject to re-election by shareholders at annual general meetings/general meetings and at least about once every three years on a rotation basis in accordance with the Articles of Association of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. No Director has a service contract with the Company which is not terminable by the Company within one year and without payment of compensation (other than statutory compensation).

Shareholders may propose a candidate for election as Director in accordance with the Articles of Association of the Company. The procedures for such proposal are posted on the website of the Group.

## Corporate Governance Report

### Training and Commitment

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives.

The Company arranges and provides Continuous Professional Development ("CPD") training and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, 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, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts toward CPD training.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2014 is summarised as follows, representing an average of approximately 15.5 hours by each Director in 2014.

Name of Director	Areas		
	Legal, Regulatory and Corporate Governance	Group's Businesses	Directors' Roles, Functions and Duties
<b>Chairman</b>			
Li Ka-shing	√	√	√
<b>Executive Directors</b>			
Li Tzar Kuoi, Victor ( <i>Deputy Chairman</i> )	√	√	√
Fok Kin Ning, Canning ( <i>Group Managing Director</i> )	√	√	√
Chow Woo Mo Fong, Susan ( <i>Deputy Group Managing Director</i> )	√	√	√
Frank John Sixt ( <i>Group Finance Director</i> )	√	√	√
Lai Kai Ming, Dominic	√	√	√
Kam Hing Lam	√	√	√
<b>Non-executive Directors</b>			
Lee Yeh Kwong, Charles	√	√	√
George Colin Magnus	√	√	√
<b>Independent Non-executive Directors</b>			
Cheng Hoi Chuen, Vincent <sup>(1)</sup>	√	√	√
Michael David Kadoorie	√	√	√
Holger Kluge <sup>(2)</sup>	√	√	√
Lee Wai Mun, Rose	√	√	√
William Shurniak	√	√	√
Wong Chung Hin	√	√	√
<b>Alternate Director</b>			
William Elkin Mocatta ( <i>Alternate Director to Michael David Kadoorie</i> )	√	√	√

Notes:

(1) Appointed on 10 July 2014.

(2) Resigned on 10 July 2014.

Confirmation is received from the Directors that they have provided sufficient time and attention to the affairs of the Group. Besides, Directors disclose to the Company their interests as director and other office in other public companies and organisations in a timely manner and update the Company on any subsequent changes.

## Securities Transactions

The Board has adopted its own Model Code for Securities Transactions by Directors (the "HWL Securities Code") regulating Directors' dealings in securities (Group and otherwise), on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. The HWL Securities Code had been updated to reflect the amendments to the Listing Rules which took effect in July 2014. In response to specific enquiries made, all Directors have confirmed that they have complied with the HWL Securities Code in their securities transactions throughout 2014.

## Board Committees

The Board is supported by two permanent board committees: the Audit Committee and the Remuneration 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.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Group Managing Director.

## COMPANY SECRETARY

The Company Secretary, Ms Edith Shih, 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 the timely preparation and dissemination to Directors comprehensive Board meeting agendas and papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details 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 is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments of relevance to the Group and that it takes these into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of importance and interest and disseminate reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of 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 their obligations for disclosure of interests and dealings in the Group's securities, connected transactions and price-sensitive/inside information and ensures that the standards and disclosures requirements of the Listing Rules are complied with and, where required, reported in the annual report of the Company.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman and the Group Managing Director, all members of the Board have access to the advice and service of the Company Secretary. Ms Shih has been appointed as the Company Secretary of the Company since 1997 and has day-to-day knowledge of the Group's affairs. The Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

# Corporate Governance Report

## 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 period end.

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 167 which acknowledges the reporting responsibility of the Group's Auditor.

### Annual Report and Accounts

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company, ensuring that the financial statements give a true and fair presentation in accordance with Hong Kong Companies Ordinance and the applicable accounting standards.

### Accounting Policies

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgments 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 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.

### Audit Committee

The Audit Committee comprises three Independent Non-executive Directors who possess the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Wong Chung Hin with Messrs Cheng Hoi Chuen, Vincent (who was appointed following the resignation of Mr Holger Kluge on 10 July 2014) and William Shurniak as members.

The Audit Committee held four meetings in 2014 with approximately 92% attendance.

Name of Member	Attended/Eligible to Attend
Wong Chung Hin ( <i>Chairman</i> )	4/4
Cheng Hoi Chuen, Vincent <sup>(1)</sup>	1/1
Holger Kluge <sup>(2)</sup>	2/3
William Shurniak	4/4

Notes:

(1) Appointed on 10 July 2014.

(2) Resigned on 10 July 2014.

In 2014, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties of the CG Code.

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and its external auditors, review the Group's preliminary interim and annual results, and interim and annual financial statements, monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of the Group's internal audit function, engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters have been adopted by the Audit Committee and are posted on the website of the Group.

The Audit Committee meets with the Group Finance Director and other senior management of the Group from time to time for the purposes of reviewing the interim and annual results, the interim and annual reports and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the Group's internal and external auditors, with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also meets at least four times a year with the Group's principal external auditor, PricewaterhouseCoopers ("PwC"), to consider the reports of PwC on the scope, strategy, progress and outcome of its independent review of the interim financial report and its annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, Group Finance Director and internal auditor separately without the presence of Management.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It receives and considers the presentations of Management in relation to the reviews on the effectiveness of the Group's internal control systems and the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting function, as well as their training programmes and budget. In addition, the Audit Committee reviews with the Group's internal auditor the work plans for its audits together with its resource requirements and considers the reports of the Group Internal Audit General Manager to the Audit Committee on the effectiveness of internal controls in the Group business operations. Further, it also receives the reports from the Head Group General Counsel on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

### External Auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year the letter from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of PwC 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 external auditor.
- Audit related services - include services that would normally be provided by an external auditor but not generally included in audit fees, for example, 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 it must, or is best placed to, undertake 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 uses the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.

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- Other services – include, for example, 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 the Group's internal auditor 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 auditor is shown in note 44 to the accounts. In the year ended 31 December 2014, the PwC fees, amounting to HK\$279 million, were primarily for audit services and those for non-audit services amounted to HK\$33 million, 10.6% of the total fees.

### INTERNAL CONTROL, CORPORATE GOVERNANCE, LEGAL & REGULATORY CONTROL AND GROUP RISK MANAGEMENT

The Board has overall responsibility for the Group's systems of internal control, corporate governance compliance and assessment and management of risks.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by management of the business operations, review by the Board of actual results against budget, review by the Audit Committee of the ongoing work of the Group's internal audit and risk management functions, as well as regular business reviews by Executive Directors and the executive management team of each core business division.

On behalf of the Board, the Audit Committee reviews regularly the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis.

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.

#### Internal Control Environment and Systems

Executive Directors are appointed to the boards of all material operating subsidiaries and associates for monitoring those companies, including attendance at board meetings, review and approval of business strategies, budgets and plans, and setting of key business performance targets. 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's internal control procedures 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 the 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.

The 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 of the major businesses attend monthly meetings with the Group Finance Director 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 and the Group's Treasury function oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group Finance Director 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 Group Finance Director or an Executive Director prior to commitment. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The General Manager of the Group's internal audit function, reporting to the Group Finance Director on a day-to-day basis and also directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Group Finance Director and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditor so that both 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 the internal audit function includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the General Manager of the Group's internal audit function and, as appropriate, to the Group Finance Director 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 internal control systems for the year ended 31 December 2014 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. In addition, it has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget.

## Corporate Governance

The Board is entrusted with the overall responsibility of developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regulatory requirements.

Under its terms of reference, the Audit Committee has been delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. To assist the Audit Committee in fulfilling its responsibilities, a governance working group chaired by the Deputy Group Managing Director, Mrs Chow, comprising representatives from key departments of the Company was set up to continuously examine the corporate governance structure of the Group, provide updates, identify emerging matters of compliance, structure appropriate compliance mechanisms and monitor compliance fulfillment on an ongoing basis.

The Audit Committee has reviewed the compliance status, and is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the nomination committee.

## Corporate Governance Report

### Legal and Regulatory

The Group Legal Department has the responsibility of safeguarding the legal interests of the Group. The team, led by the Head Group General Counsel and Company Secretary, Ms Shih is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial 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 of legal and commercial issues of concern. In addition, the Group Legal Department is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting responses or filings to relevant regulatory and/or government authorities on regulating issues and consultations. The Department also determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as most cost effective services are rendered. Further, the Group Legal Department 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 team.

### Group Risk Management

The Group Managing Director and the General Manager of the Group's risk management department, Ms Louisa Wong have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. Ms Wong, working with business operations worldwide, is responsible for arranging appropriate insurance coverage and organising Group-wide risk reporting. Directors and Officers Liability Insurance is also in place to protect Directors and officers of the Group against their potential legal liabilities.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by Mr Wong, an Independent Non-executive Director, with the Chairman Mr Li and Mr Cheng (who was appointed following the resignation of Mr Kluge on 10 July 2014), an Independent Non-executive Director, as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. The 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 additional meetings where warranted.

The Remuneration Committee held a meeting in 2014 with 100% attendance.

Name of Member	Attended/Eligible to Attend
Wong Chung Hin ( <i>Chairman</i> )	1/1
Li Ka-shing	1/1
Cheng Hoi Chuen, Vincent <sup>(1)</sup>	1/1
Holger Kluge <sup>(2)</sup>	N/A

Notes:

(1) Appointed on 10 July 2014.

(2) Resigned on 10 July 2014.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute 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 2015 directors' fees for Executive Directors and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2015 remuneration package of Executive Directors, subsidiaries' managing directors and senior executives of the Group. Executive Directors do not participate in the determination of their own remuneration.

## 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. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

## 2014 Remuneration

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The emoluments of each of the Directors exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each Director in 2014 are as below:

Name of Director	Director's Fees HK\$ millions	Basic Salaries, Allowances and Benefits-in-Kind HK\$ millions	Discretionary Bonuses HK\$ millions	Provident Fund Contributions HK\$ millions	Inducement or Compensation Fees HK\$ millions	Total Emoluments HK\$ millions
Li Ka-shing <sup>(1)(6)</sup>	0.05	-	-	-	-	0.05
Li Tzar Kuoi, Victor						
<i>Paid by the Company</i>	0.12	4.59	50.35	-	-	55.06
<i>Paid by Cheung Kong Infrastructure Holdings Limited ("CKI")</i>	0.08	-	24.01	-	-	24.09
<i>Paid to the Company</i>	(0.08)	-	-	-	-	(0.08)
	0.12	4.59	74.36	-	-	79.07
Fok Kin Ning, Canning <sup>(2)</sup>	0.12	10.84	183.12	2.22	-	196.30
Chow Woo Mo Fong, Susan <sup>(2)</sup>	0.12	8.01	41.11	1.59	-	50.83
Frank John Sixt <sup>(2)</sup>	0.12	8.03	39.83	0.69	-	48.67
Lai Kai Ming, Dominic <sup>(2)</sup>	0.12	5.45	39.26	1.01	-	45.84
Kam Hing Lam						
<i>Paid by the Company</i>	0.12	2.30	8.96	-	-	11.38
<i>Paid by CKI</i>	0.08	4.20	10.27	-	-	14.55
<i>Paid to the Company</i>	(0.08)	(4.20)	-	-	-	(4.28)
	0.12	2.30	19.23	-	-	21.65
Lee Yeh Kwong, Charles <sup>(4)</sup>	0.12	-	-	-	-	0.12
George Colin Magnus <sup>(4)</sup>						
<i>Paid by the Company</i>	0.12	-	-	-	-	0.12
<i>Paid by CKI</i>	0.08	-	-	-	-	0.08
	0.20	-	-	-	-	0.20
Cheng Hoi Chuen, Vincent <sup>(3)(5)(6)(7)</sup>	0.15	-	-	-	-	0.15
Michael David Kadoorie <sup>(3)</sup>	0.12	-	-	-	-	0.12
Holger Kluge <sup>(3)(5)(6)(8)</sup>	0.16	-	-	-	-	0.16
Lee Wai Mun, Rose <sup>(3)</sup>	0.12	-	-	-	-	0.12
William Shumiak <sup>(3)(5)</sup>	0.25	-	-	-	-	0.25
Wong Chung Hin <sup>(3)(5)(6)</sup>	0.31	-	-	-	-	0.31
<b>Total:</b>	<b>2.20</b>	<b>39.22</b>	<b>396.91</b>	<b>5.51</b>	<b>-</b>	<b>443.84</b>

## Corporate Governance Report

Notes:

- (1) No remuneration was paid to Mr Li Ka-shing during the year other than Director's fees of HK\$50,000 which he paid to Cheung Kong (Holdings) Limited.
- (2) Directors' fees received by these Directors from the Company's listed subsidiaries during the period they served as executive directors or non-executive directors that have been paid to the Company are not included in the amounts above.
- (3) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK\$1,110,000.
- (4) Non-executive Director.
- (5) Member of the Audit Committee.
- (6) Member of the Remuneration Committee.
- (7) Appointed on 10 July 2014.
- (8) Resigned on 10 July 2014.

The remuneration paid to the members of senior management by bands in 2014 is set out below:

Remuneration Bands*	Number of Individuals
HK\$10 million to HK\$14 million	3
HK\$15 million to HK\$19 million	1
HK\$20 million to HK\$24 million	2
HK\$25 million to HK\$29 million	1
HK\$45 million to HK\$49 million	1

\* rounding to the nearest million.

## CODE OF CONDUCT

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is required to undertake to adhere to the Group's Code of Conduct, and is expected to achieve the highest standards set out in the Code of Conduct including avoiding conflict of interest, discrimination or harassment and bribery and corruption etc. Employees are required to report any non-compliance with the Code of Conduct to Management.

## RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Group actively promotes investor relations and communication with the investment community throughout the year. Through its Chairman, Group Managing Director, Group Finance Director and the Group Corporate Affairs Department, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. A policy on shareholders' communication, which is available on the Group's website, was adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. An up-to-date Articles of Association of the Company is published on the websites of the Group and HKEX. Moreover, additional information on the Group is also available to shareholders and stakeholders through the Investor Relations page on the Group's website.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Section 566 of the Companies Ordinance of Hong Kong (Chapter 622), shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may request the Directors to call a general meeting and to put forward agenda items for consideration by shareholders, by sending to the Company a request (in hard copy form or in electronic form and must be authenticated by the person or persons making it) and the proposed agenda items. Shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate or at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate, may put forward proposals for consideration at the relevant annual general meeting of the Company by sending the request according to Section 615 of the Companies Ordinance of Hong Kong (Chapter 622).

All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Group's 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 is made available on the Group's website for shareholders and stakeholders.

The latest shareholders' meeting of the Company was the 2014 Annual General Meeting (the "AGM") which was held on 16 May 2014 at Harbour Grand Kowloon and attended by PwC and the majority of the Directors, including the Chairmen of the Board, the Audit Committee and the Remuneration Committee with attendance rate of approximately 93%. One Independent Non-executive Director was not in a position to attend the AGM due to personal reasons. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing.

Separate resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 16 May 2014 are set out below:

<b>Resolutions proposed at the AGM</b>	<b>Percentage of Votes</b>
1 Adoption of the Statement of Audited Accounts and Report of the Directors and Report of the Auditor for the year ended 31 December 2013	99.96%
2 Declaration of a final dividend	99.99%
3(a) Re-election of Mr Fok Kin Ning, Canning as a Director	96.64%
3(b) Re-election of Mr Lai Kai Ming, Dominic as a Director	83.32%
3(c) Re-election of Mr Kam Hing Lam as a Director	82.76%
3(d) Re-election of Mr William Shurniak as a Director	98.03%
3(e) Re-election of Mr Wong Chung Hin as a Director	97.93%
4 Appointment of Auditor and authorisation of Directors to fix the Auditor's remuneration	99.92%
5(1) Granting of a general mandate to Directors to issue additional shares of the Company	76.22%
5(2) Approval of the buy-back by the Company of its own shares	99.97%
5(3) Extension of the general mandate regarding issue of additional shares of the Company	76.53%
6 Adoption of new Articles of Association of the Company	98.22%
7(1) Addition of the Chinese name of the Company to its existing name	99.99%
7(2) Amendment of the Articles of Association of the Company upon the new Company name is effective	99.79%

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

## Corporate Governance Report

At the AGM, a special resolution was passed to adopt new Articles of Association of the Company in order to modernise and update the Articles of Association and to bring them in line with the new Companies Ordinance of Hong Kong (Chapter 622) which came into effect on 3 March 2014 as well as to streamline the management and operational processes of the Company. The major changes to the Articles of Association including amendments made pursuant to the new Companies Ordinance comprise the following:

- Formal migration of the mandatory clauses from the Memorandum of Association (such as the name of the Company and the limited liability of the shareholders) to the new Articles of Association given that the new Articles of Association becomes the single constitutional document of the Company due to abolition of the Memorandum of Association under the new Companies Ordinance.
- Provision to the Company with the capacity, rights, powers and privileges of a natural person and dispense with the "objects" clause.
- Removal of all the references in the Articles of Association to "authorised capital", "par" or "nominal value of shares", "unissued shares", "capital redemption reserve fund" and "share premium account" which have become obsolete due to the mandatory no par value regime under the new Companies Ordinance.
- Deletion of the article relating to conversion of shares into stock and other ancillary articles relating to stock transfer and stockholder rights as the new Companies Ordinance has repealed such power of a company.
- Provision, within 28 days, of a statement of reasons for refusal of registration of a transfer of shares, if required by the transferor or the transferee of the shares.
- Acceptance as sufficient evidence the grant of probate of the will or letters of administration of a deceased person for the purpose of registering a transmission of shares.
- Amendment of the minimum notice period for convening a general meeting (other than an annual general meeting) for passing a special resolution from 21 days to 14 days.
- Permitting the Company to hold general meetings in more than one location using any technology that enables the shareholders to listen, speak and vote at the meetings.
- Lowering the threshold for demanding a poll from 10% to 5% of the total voting rights.
- Inclusion of the mandatory requirement for the chairman of the general meeting to demand a poll if the chairman of the meeting, before or on the declaration of the result on a show of hands, knows from the proxies received by the Company that the result on a show of hands would be different from that on a poll.

- Inclusion of the following new provisions in respect of appointment of proxy:
  - allowing a proxy to exercise all or any of the shareholder's rights to attend and to speak and vote at a general meeting (including voting on a show of hands, with multiple proxies excepted);
  - providing for flexibility for return of a proxy form by various means including by electronic means and to prescribe the statutory period in various situations for the return of proxy form; and
  - setting out the notice requirement in the case of revocation of proxy's authority.
- Inclusion of the new statutory requirement to record poll results in the minutes of a general meeting.
- Requirement of shareholders' approval for service contracts entered into by the Company with its Directors for a guaranteed term of employment exceeding three years.
- Broadening of the scope of the requirement for declaration of a Director's interest by requiring a Director to declare the nature and extent of the interest of himself and his connected entities and the direct or indirect interest in any transaction, contract or arrangement of himself and his connected entities, and specify the timing and procedures of declaration of such interests by a Director in accordance with the new Companies Ordinance.
- Allowing the Company to execute a document as a deed without using its common seal as permitted under the new Companies Ordinance.
- Inclusion of the mandatory requirement in respect of registering an allotment of debenture or debenture stock in accordance with the new Companies Ordinance.
- Inclusion of the mandatory requirement in respect of disclosure of permitted indemnity provisions provided by the Company to its Directors or directors of its associated companies in the report of the Directors of the Company.
- Replacement of obsolete terms with the new terms used in new Companies Ordinance, and section references to the old Companies Ordinance with the corresponding section references of the new Companies Ordinance.

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 2015 and public float capitalisation as at 31 December 2014.

The Group values feedback from shareholders 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 Group Corporate Affairs Department or the Company Secretary by mail to 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong or by email at [info@hwl.com.hk](mailto:info@hwl.com.hk).

## Corporate Governance Report

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance (“ESG”) responsibility and has established a committee, chaired by the Deputy Group Managing Director, Mrs Chow, comprising representatives from key departments of the Company to spearhead the ESG activities of the Group. The committee focuses on initiatives related to stakeholders, employees, the environment, operating practices and the community. Details of the initiatives of the committee are set out on pages 100 to 109.

By order of the Board

**Edith Shih**

*Company Secretary*

Hong Kong, 26 February 2015