

# Sustainability at Power Assets

We aspire to constantly enhance how energy is being generated and delivered to all our markets of operation, to create a more sustainable planet for future generations. We also aim to be a positive force in people's lives by being a best-in-class employer, a supportive partner, and a caring corporate citizen operating with the highest ethics and values.



## Sustainability Governance

The Group's sustainability governance structure provides a solid foundation for developing and delivering its commitment to sustainability. This is embedded at all levels of the Group, including the Board, the Sustainability Committee and the Sustainability Management Committee, comprising the CEO and other senior officials. The Sustainability Committee and the Sustainability Management Committee provide guidance to our businesses to maintain Group consistency in implementing their own sustainability strategies, manages goals, targets, reporting processes and strengthens the relations with internal and external stakeholders, and also ensure overall accountability.

The Group has formulated separate policies on sustainability, environment, supply chain management and human rights. These policies are primarily intended to serve as the ultimate guiding principles for sustainability practices within the Group, putting its values into action across the businesses and detailing the Group's commitments to business integrity, people, environment and communities in which the Group operates.



### The Group's Sustainability Governance



### The Board

The Board has ultimate accountability for the Group's sustainability strategy, management, performance and reporting through the support of the Sustainability Committee.

The Board examines and approves the Group's sustainability objectives, strategies, priorities, initiatives, goals and targets as well as the corresponding policies and frameworks that support their achievement.

The Sustainability Committee reports to the Board on sustainability risks and opportunities, and periodically discusses its impact on business strategy.

Our directors or executives are appointed to the boards and management committees of all material investments for overseeing and monitoring the sustainability performance of each business. The executive management team of each business is accountable for the conduct and performance within the agreed strategies.

### Sustainability Committee

The Sustainability Committee was established as a Board committee. It is chaired by Mr. TSAI Chao Chung, Charles, Chief Executive Officer and Executive Director, and its other members are Mr. CHAN Loi Shun, Executive Director, and Mr. IP Yuk-keung, Albert, Independent Non-executive Director and Chairmen of the Audit Committee and the Nomination Committee.

The Sustainability Committee has an overarching role in supporting the Board on the matters of sustainability and oversees the implementation of the sustainability initiatives of the Group, including reviewing the related policies and practices, and assessing and making recommendations on matters concerning the Group's sustainability governance, strategy, planning and risks. The Committee meets at least twice a year.

Key responsibilities of the Sustainability Committee include:

- Proposing and recommending to the Board the Group's sustainability objectives, strategies, priorities, initiatives, goals and targets;
- Overseeing, reviewing and evaluating actions taken by the Group in furtherance of the sustainability priorities, goals and targets, including coordinating with the business units of the Group and ensuring that their operations and practices are in adherence;
- Reviewing and reporting to the Board on sustainability risks and opportunities;
- Monitoring, evaluating and reviewing emerging sustainability-related issues, trends and best practices that could impact the business operations and performance of the Group;
- Overseeing and reviewing the Group's approach, and to recommend improvements;
- Considering the impact of the Group's operations at various aspects to its stakeholders, including employees, shareholders, local communities as well as the environment;
- Reviewing and advising the Board on the Group's public communication, disclosure and publications as regards to its sustainability performance; and
- Performing such further functions related or incidental to the foregoing which the Committee deems appropriate.

For more information, please refer to the [Terms of Reference](#) of the Sustainability Committee.

### Sustainability Management Committee

Composed of Chief Executive Officer, an Executive Director, Chief Financial Officer, Group Legal Counsel and Company Secretary and selected members of the Group's management, the Sustainability Management Committee focuses on addressing sustainability issues and policies and driving strategic initiatives across the Group. It reports to, and receives feedback from, the Sustainability Committee on a regular basis.

## Approach to Sustainability

We operate our businesses in a responsible and sustainable way whilst remaining transparent and accountable to our stakeholders. The Group is committed not just to its shareholders but also to a wide range of stakeholders including employees, customers, suppliers, the local community, professional institutions, non-governmental organisations (NGOs) and the authorities. To more effectively manage sustainability, the Group reviewed its sustainability framework in 2020 and revised and developed relevant policies to align efforts across the Group.

### Sustainability Pillars and Policies

The Group's overall sustainability approach and priorities are built on five pillars, namely The Business, Human Capital, The Environment, The Community and Value Chain. Each pillar is supported by Group-wide policies, leadership at the Group level and collective efforts across its businesses. These five pillars guide the Group in integrating sustainability across all our operations. The Group has policies, procedures and guidelines in place to support management in addressing material sustainability issues across the Group, as described throughout this Report.

These principles are adopted Group-wide and implemented by each business unit based on local social, economic and environmental needs. The execution and compliance are monitored continuously through regular management reviews and reporting.

For more information on relevant policies and procedures in place, please refer to the [Corporate Policies](#) on the Group's corporate website.

### The Group's Sustainability Pillars

#### Value Chain

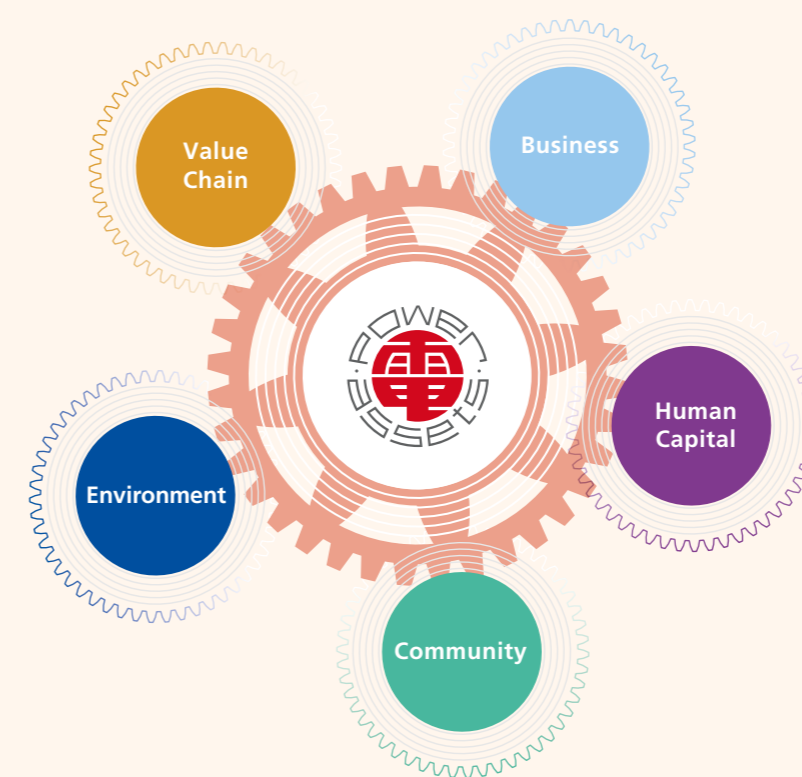
- Run a management system to identify and mitigate supply chain risk.
- Have Supplier Code of Conduct in place which covers environmental standards for the suppliers' processes, products or services, child labour, fundamental human rights, working conditions, remuneration, occupational health and safety, and business ethics.
- Work with suppliers and business partners who can demonstrate their commitments to uphold the principles under the Power Assets' Supplier Code of Conduct.
- Develop procedures to monitor suppliers' products, services and processes.
- Invest in technologies and innovative solutions to enhance customer experience, communication, health and safety, privacy and protection in our business operations.

#### The Environment

- Comply with or exceed the requirements of relevant laws and regulations to control any greenhouse gas emissions, discharges into water and land, and waste generation.
- Minimise the impact of its business activities on the environment and natural resources.
- Develop Climate Strategy to identify and manage climate risk and implement appropriate innovations and new technologies to capture the opportunities arising from this risk.
- Set targets and review and assess the results regularly to ensure the effectiveness of emissions control mechanisms.
- Monitor and manage the use of resources, including energy, water and other raw materials.
- Develop and implement environmentally-friendly products and processes with potential commercial applications.
- Encourage and provide support for conservation and environmental protection programmes.

#### The Business

- Enhance long-term return for its shareholders.
- Focus on sustainable development of its businesses and the communities it operates in.
- Comply with all relevant and applicable laws and regulations within its operational frameworks.
- Conduct business with uncompromising integrity.
- Safeguard against unfair business practices.
- Achieve a high standard of corporate governance and emphasise a quality board, sound internal control, transparency and accountability to all stakeholders.



#### Human Capital

- Uphold a high standard of business ethics and personal conduct of its employees.
- Adhere to non-discriminatory employment practices and procedures.
- Provide a safe workplace for all its employees and a positive work environment that values the wide-ranging perspectives inherent in its diverse workforce.
- Foster individual growth and achievement of business goals, offering a wide range of training and development programmes, interest courses and activities.
- Maintain proper systems to ensure internal equity and external competitiveness of staff remuneration and recognition.

#### The Community

- Engage with local communities and undertake initiatives catered to the needs and benefits of the communities within which it operates, with a focus on education, medical, health and elderly care, arts and culture, sports and disaster relief.
- Educate the public, in particular younger generations, on the importance of energy efficiency and low-carbon lifestyles.
- Implement internal guidelines and controls on donations and contributions to safeguard stakeholders' and shareholders' interests.
- Encourage employees to play a positive and active role in the community.

## Stakeholder Engagement

The Group endeavours to communicate openly and transparently with its key stakeholders to gather their views on the issues that concern them the most. Given the diversity of the businesses, the Group and the operating companies deal with different stakeholder groups including employees, customers, business partners, suppliers and investors as well as with regulatory authorities, NGOs and the community. We regularly collect their views through various channels, such as meetings, workshops, seminars, interviews and surveys.

The Group and its businesses use stakeholders' input to understand shifting market needs, which in turn helps to inform the Group's decision making in relation to its sustainability practices, initiatives and disclosures. As an example, regular consultation meetings are being held by all of our utility companies as well as HK Electric's Customers Liaison Group.

## Materiality Assessment

The Group updated its materiality analysis during 2020 to define the material sustainability issues that are considered to be most significant to the Group and its stakeholders.

### Materiality Assessment Process

<b>1. Identification</b>	<ul style="list-style-type: none"> <li>Identified sustainability issues that are considered relevant and important to our businesses and stakeholders based on a review of our sustainability-related practices and the previous year's process.</li> </ul>
<b>2. Prioritisation</b>	<ul style="list-style-type: none"> <li>Mapped the issues identified as material for the energy and utilities sector by local and international reporting frameworks such as MSCI and DJSI ESG ratings.</li> <li>Assessed the importance of issues based on the expectations of regulators, sustainability ratings and industry peers.</li> <li>Prioritised issues that have a significant impact on the Group's ability to create long-term and sustainable values.</li> </ul>
<b>3. Validation</b>	<ul style="list-style-type: none"> <li>Reviewed and approved the material issues by the Sustainability Committee.</li> </ul>

The material sustainability issues identified can be assigned to three categories:

Environment	Social	Governance
<ul style="list-style-type: none"> <li>Combating Climate Change</li> <li>Opportunities in Clean Technology</li> <li>Preserving Natural Environment (including biodiversity, water, effluent and waste)</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital Development</li> <li>Occupational Health and Safety (including emergency response)</li> <li>Cybersecurity</li> <li>Supply Chain Management</li> <li>Community Engagement</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance*</li> <li>Business Ethics</li> </ul>

\* Information on corporate governance is covered separately in Corporate Governance Report in the Annual Report 2020.



The 10 issues listed in the table above are identified as material sustainability issues relevant to the whole Group or specific businesses based on their circumstances.

The material sustainability issues include environmental, social and governance concerns reflecting diverse external stakeholder priorities and the Group's operational and regulatory risk focus. The materiality result supports the identification of the focus areas for continuously managing and monitoring its sustainability performance and the development of sustainability strategies. They indicate the main challenges and opportunities for the Group as it operates and manages sustainability based on its principles and pillars.

## Business Ethics

### Challenges and Opportunities

Bribery and corruption are important topics for the industry. As providers of critical infrastructure, utilities have close relationships with government officials as well as suppliers, third-party contractors and customers. There are potential risks of bribery and corruption in certain parts of the world.

As utilities are heavily regulated, they are subject to investigations and lawsuits by regulatory authorities, possibly leading to huge penalties. We believe it is important to take a proactive and holistic approach to avoid any incidents of bribery and corruption, driven by our own ethos and regulatory obligations. This requires operating companies to develop well-rounded anti-corruption policies and whistleblower programmes as well as training to its staff, based on the requirements of the Group and local authorities.

### Our Commitment

The Group values and upholds the highest standards of business integrity, honesty and transparency in its overall business activities. The Group has zero tolerance on any form of fraud or bribery and is committed to the prevention, deterrence, detection and investigation of all forms of fraud and bribery.

The Board holds the overall responsibility for business ethics as an essential part of its corporate governance responsibilities. On behalf of the Board, the Audit Committee and the Executive Directors are responsible for ensuring the effective implementation of internal controls for material fraudulent or bribery activities committed within the Group on an ongoing basis.



## How We Work

### Governance policies

The [Code of Conduct](#) (the “Code”) sets out the professional and ethical standards to observe in all business dealings, including provisions dealing with conflict of interest, fair dealing and integrity, corruption, political contribution, confidentiality, personal data protection and privacy, as well as reporting of illegal and unethical behaviour. The Code applies to the Group and all its subsidiaries, where every employee is required to adhere strictly to the Code including all applicable laws, rules and regulations within the jurisdictions the Group operates in. For non-controlled affiliates, employees serving as directors would, to the extent possible, encourage those affiliates to adopt and follow the Code.

Business partners and suppliers of the Group are encouraged to maintain the highest standards of ethical conduct and professionalism in accordance with the [Supplier Code of Conduct](#). They are required to implement appropriate anti-fraud and corruption policies as well as compliance programmes to verify their compliance to the policies. Relevant anti-fraud and corruption clauses are incorporated into the contracts with business partners and suppliers to ensure that they are fully aware of the Group’s requirements.

The [Anti-Fraud and Anti-Bribery Policy](#) outlines the Group’s zero-tolerance stance against bribery and corruption and assists employees in recognising the circumstance which may lead to or give the appearance of corruption or unethical business conduct. It includes provisions dealing with kickbacks, political and charitable contributions, facilitation payments, gifts and hospitality, and procurement of goods and services. It is the Group’s general policy to avoid any form of donation to political associations or individual politicians.

Other policies relevant to ethics and compliance include our:

- [Information Security Policy](#)
- [Media, Public Engagement and Donation Policy](#)
- [Policy on Inside Information and Securities Dealing](#)
- [Procedures for Reporting Possible Improprieties in matters of Financial Reporting or Internal Control](#)

### Communication and training

The Code forms part of the mandatory induction training which all employees need to attend upon joining the Group. It is the responsibility of every employee to familiarise and comply with the Code. During the year, the Group provided a seminar relating to anti-corruption to the Directors to help them keep abreast of current trends and issues facing the Group. Regularly, tailor-made training on specific topics such as anti-fraud and corruption is assigned to employees based on their role and area of responsibility.

Each of our businesses also provides sufficient training for its employees. For example, all the new joiners of UKPN will have an overview of fraud, bribery and corruption risks and the Business Integrity function and resources, and information on the Confidential Reporting Line to report any concerns in the staff induction training. During the year, over 240 employees of HK Electric attended on-line training to improve their awareness and refresh their understanding of the Prevention of Bribery Ordinance and corresponding company policies and guidelines on anti-corruption. More than 70 new hires completed similar training as part of their Orientation Programme. Laoting Wind Power organises annual compliance training on bribery and anti-corruption every year to increase staff awareness.

### Ongoing assessment

Business practices and controls for preventing and combating corruption and other misconducts are continuously assessed at both Group level and business unit level.

At Group level, an anti-bribery and anti-corruption control assessment is conducted biannually to evaluate the effectiveness of controls for managing bribery risks.

At the business unit level, each operating company conducts a risk-based audit to ensure that focus is on key risk areas. These audits also consider the design and operating effectiveness of processes and controls. Deficiencies with potential for fraud and other corruption would be covered during the audit.

### Whistleblower programmes

All directors, employees and other relevant stakeholders are expected to report any potential violation of the Code. Escalation channels are set up to allow reporting of improprieties or business conduct concerns, with the option of anonymous reporting. All reported incidents are treated confidentially and the informants are protected from any retaliation such as unfair dismissal, victimisation or unwarranted disciplinary action. All breaches are recorded, investigated and reported to the Board through the Audit Committee, and substantiated violations would result in appropriate disciplinary actions, including termination of employment.

In addition to Group-level processes, each core business derives its own set of internal escalation procedures to cater to its operational needs. Each operating company has its own whistleblowing system and needs to report to the Group’s Head of Internal Audit. The internal audit department manages the system and reports serious issues to senior management and the Audit Committee.



For example, United Energy provides an independent anonymous 24/7 free service line named Speak-up Anonymous to employees to report on misconduct. To protect the employees who report suspected misconduct, United Energy implements a safe reporting mechanism to ensure the confidentiality of anonymous reports. It is available to suppliers, customers and other third parties. EDL has a Whistleblower Policy aimed at encouraging internal or external stakeholders to report any misconduct or wrongdoing. Stakeholders can call the confidential, independently managed hotline or approach the CEO, CFO, Company Secretary, director or other senior managers to report the matter.

