

HKEI upholds high standards of corporate governance through a robust framework of policies, guidelines and processes based on the Corporate Governance Code as set out in the Listing Rules. In addition to underpinning the smooth, effective and transparent operations of our organisation, we believe that our firm commitment to openness, probity and accountability attracts investment, protects the rights of shareholders and other stakeholders, and enhances our shareholder value.

Our long-term strategies are guided by our vision to excel in the power business while continuously improving our sustainability performance. We operate with high efficiency on prudent financial principles, enabling us to serve Hong Kong with a world-class supply of electricity at affordable prices, while generating long-term stable and growing returns for our investors.

In 2017, HKEI continued to be included in the MSCI HK Index and the Euronext Vigeo World 120 Index.

Creating Value

Responsible
and Ethical
Business

Sustainable
Growth for the
Long Term





Responsible and Ethical Business

Our corporate culture encourages a risk aware and control conscious environment, and also values honesty, accountability and integrity. For more information about our corporate governance practices, please refer to our Annual Report or visit our website.

Managing our Risks

We have an Enterprise Risk Management framework in place to identify, assess, mitigate and monitor risks on a company-wide basis. We have also established a Crisis Management Plan outlining corporate responses to various emergency situations that have the potential to inflict damage on our long-term business plans. We conduct regular drills to bolster our preparedness for crisis scenarios. In parallel, each business unit manages their respective contingency plans for maintaining business continuity.

For legal and regulatory compliance, which is overseen and monitored by our Compliance Committee, we have developed a structured Compliance Framework to manage our compliance obligations on a company-wide basis. We abide by all ordinances and statutory requirements in relation to our business operations. In 2017, there were no instances of material non-compliance.

We are continuously enhancing our risk management and internal control systems with reference to international standards, such as COSO 2013 Internal Control Framework.

Upholding our Ethics

All employees are required to adhere to high ethical standards in every aspect of work. Our Code of Conduct provides guidance on how to deal with ethical issues and on the reporting of unethical behaviour.

Any employee or external party with a legitimate grievance against the Group, or its employees, is encouraged to contact the Head of Internal Audit through our whistleblowing hotline. We welcome reports about actual or potential illegal acts or violations of our Code of Conduct, including fraud, bribery and corruption.

We conduct a biannual assessment to evaluate the effectiveness of controls for managing bribery and corruption risks. In 2017, there were no concluded legal cases regarding bribery or corruption brought against HKEI or its employees.

Our Fraud Prevention and Awareness Policy is designed to minimise the Group's exposure to fraud risk. We foster a fraud-free culture by promoting employees' awareness of fraud prevention and detection. Employees receive regular training on anti-fraud and anti-corruption practices from the Human Resources Division and external parties such as the ICAC and Hong Kong Police Force.

Meaningful Engagement

We communicate with our shareholders and other investors through a variety of channels, including our website and publications. In addition to our Annual General Meeting, and meetings with investors and investment analysts, we publish results highlights and Annual and Interim Reports. We issue notices, letters, announcements, circulars and news releases with up-to-date information on developments impacting our business.

In 2017, we organised 24 tours of our Lamma Power Station in order for our shareholders to gain a better understanding of our operations. More than 1,000 shareholders and their guests participated in these visits.

To be transparent about our sustainable development strategies and impacts, we publish a Sustainability Report and participate in the Carbon Disclosure Project (CDP) every year. Our annual greenhouse gas inventory is independently verified with reference to ISO 14064 requirements and is reported to CDP.



HKEI's Annual General Meeting.

Case Story

Quality Excellence is the Cornerstone of our Success

The Hong Kong Management Association (HKMA) has recognised HK Electric's outstanding performance in quality management by bestowing us with the Grand Award in its 2017 Quality Award scheme. The decision was based on an extensive evaluation of our quality management practices across seven areas, ranging from Leadership and Strategy to Analysis and Knowledge Management. The panel of judges particularly commended our ability to adapt strategically to changing circumstances.

Participation in the HKMA Quality Award scheme has allowed us to benchmark our operations against an objective and proven framework. We welcome the opportunity to address the judges' recommendations



for improvement. Four study groups were formed subsequently for benchmarking practices in leading organisations on "Innovation and Digital Transformation", "Learning and Knowledge Management", "Review of Business Processes" and "Asset Management and Condition Monitoring". We believe the studies will help us shape our strategies for us to continue rising to the challenges and opportunities ahead.

Sustainable Growth for the Long Term

We pursue sustainable business growth to generate stable returns for our shareholders over the long term. To achieve these objectives in Hong Kong's highly developed electricity market, we must continue to make prudent investments for delivering world-class services with high standards of reliability, customer service and environmental performance.

In the context of the Government's Climate Action Plan 2030+, we have pledged our full support to reducing Hong Kong's carbon intensity by 65–70% by 2030 compared to the 2005 level. We are embracing cleaner and smarter technologies in order to play a key role in our city's transition to a low-carbon future.



Signing of a new Scheme of Control Agreement with the Government.

In April 2017, we signed a new SCA with the Government, valid for 15 years from 1 January 2019 to 31 December 2033. Early conclusion of negotiations on this agreement provides clarity and certainty about our future regulatory framework, which will facilitate progress on a pipeline of new investments. We believe this is conducive to continued provision of safe, reliable, affordable and clean electricity in line with the Government's energy and environmental policy objectives.

Over the next decade or so, we plan to renew our power generation portfolio at Lamma Power Station. In addition to two new gas-fired units, L10 and L11, which are currently under construction, more gas-fired units will be progressively brought on stream to replace coal-fired units that are coming to the end of their asset life cycles. In partnership with CLP Power, we are exploring the feasibility of constructing an offshore LNG terminal to secure a competitive long-term supply of clean fuel.

We continue to support the electrification of Hong Kong's public transport system in order to meet growing demand while reducing roadside emissions. We are currently developing the necessary electrical infrastructure and associated works for another new cross-harbour MTR line, the Shatin to Central Link. We are also supporting the growth of Hong Kong's electric vehicle market by offering advisory services on installing charging stations and providing free charging services through our charging network.