

A full-page photograph of an industrial facility, likely a water treatment plant, with a worker in the foreground. The worker is wearing a white uniform with yellow reflective stripes and a white hard hat, standing on a metal walkway with a railing. In the background, there is a large body of water, industrial buildings, a tall cylindrical tower, and mountains in the distance under a clear sky.

Sustainability at HKEI





Sustainability at HKEL

Sharing
our Planet

Serving
Hong Kong

Working
with Partners



At HKEL, we are committed to operating our business in a responsible and transparent manner, and meeting the long-term energy needs of the community we serve. In an age of rapid change, we make creativity and innovation part of our corporate strategy, along with strong corporate governance.



OUR BUSINESS

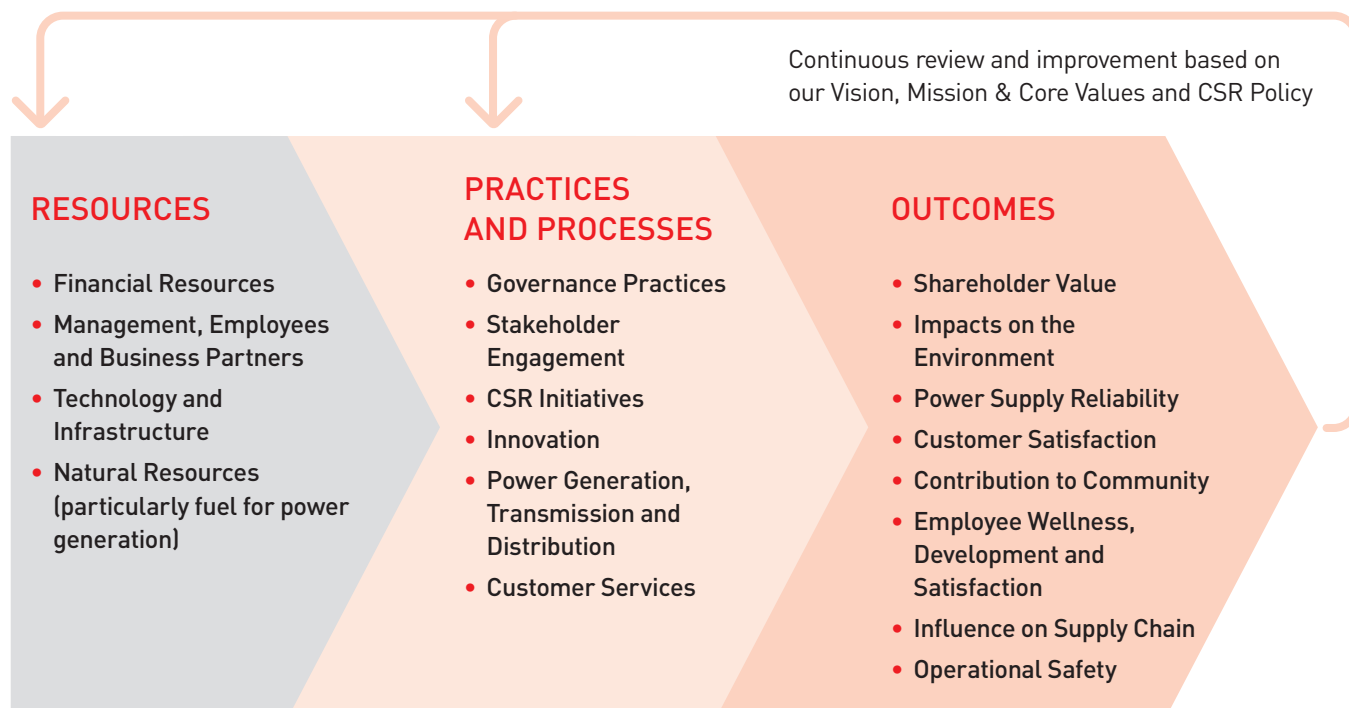
Constituted in January 2014, HK Electric Investments (the Trust) is a fixed single investment trust in Hong Kong focusing purely on the energy sector. Share Stapled Units issued by the Trust and HK Electric Investments Limited (collectively, HKEI) are listed on the Main Board of the Hong Kong Stock Exchange. The structure of the Trust enables it to focus on delivering stable distributions to investors and sustainable long-term growth of the business. HKEI is included in the Euronext Vigeo World 120 Index.

Under a Scheme of Control Agreement (SCA) with the HKSAR Government, our main operating company, The Hongkong Electric Company, Limited (HK Electric), operates a vertically integrated power utility with a power station on Lamma Island having a total installed capacity of 3,237 MW and a transmission and distribution network spanning about 6,500 km. It has a dedicated workforce of around 1,800 permanent employees and serves about 579,000 commercial and residential customers on Hong Kong and Lamma Islands.

Our corporate history dates back to 1890 and we are proud to be one of the longest-serving power utilities in the world. For over 128 years, HK Electric has had an unswerving commitment to providing its customers with safe, reliable, clean and affordable electricity – an essential ingredient for powering Hong Kong's development and success. We have been investing in appropriate technologies that are fit for the purpose and that enable us to deliver quality power supply to our customers. As a responsible corporate citizen, we engage our stakeholders and care for the community.

For more information on HKEI and HK Electric, please visit our website www.hkei.hk.

Our Value Chain





CORPORATE GOVERNANCE

Our Vision, Mission and Core Values guide us in every aspect of our operations. They are supported and upheld by our comprehensive CSR Policy and structured corporate governance practices.

VISION

To excel in the power business in Hong Kong

MISSION

- To enhance shareholder value
- To deliver excellent customer services and supply reliability
- To nurture a harmonious and engaged workforce
- To care for the community we serve
- To care for the environment in all our activities
- To drive for efficiency in our operations

CORE VALUES

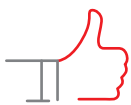
- Pursuit of Excellence
- Integrity
- Respect & Trust
- Caring

CSR POLICY

We are committed to operating our business in a responsible and transparent manner while meeting the long-term energy needs of the community we serve.

Underpinned by our Core Values, we aim to be a good corporate citizen supporting the sustainable development of the community; a world-class energy supplier providing safe, reliable, affordable and environmentally-friendly electricity supply to our customers; and an employer of choice that attracts and develops talents.

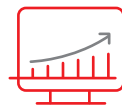
To accomplish this, we integrate CSR considerations in our operations, engage our stakeholders and will:



Strive to achieve a high standard of corporate governance;



Understand and address customer needs through our innovative and caring services;



Secure a stable return and deliver long-term values for our investors;



Treasure the environment by minimising the impact of our operations and combating climate change;



Assist staff to grow in an engaged workplace and care for them and their families;



Influence our business partners to adhere to a high standard of integrity and encourage our suppliers and contractors to follow our requirements in respect of ethical, human and labour rights, health and safety, and environmental performance; and



Nurture a caring culture in society by supporting and contributing to community investment.



Lamma Power Station and its Extension for more gas-fired generation

Challenges and Strategies

We must overcome a variety of challenges to achieving our Vision while fulfilling our role as a responsible corporate citizen.

Our Key Sustainability Challenges



Stakeholder Expectations and Regulatory Requirements

Key Challenge

- Stakeholder expectations and regulatory requirements on our business are continually increasing due to changes in our society.
- As a major public utility, we must take the lead to contribute to many aspects of economic, environmental and social sustainability.

Strategy and Approach

- We strive to understand and anticipate the concerns of our stakeholders through various communication channels in order to meet their expectations.
- We continuously monitor changes in relevant laws and regulations to ensure compliance.
- We have comprehensive management systems in place governing environmental protection, health and safety, supply reliability and service quality.



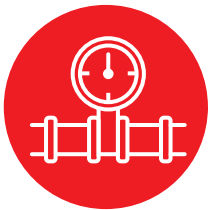
Electricity Market

Key Challenge

- Following expiry of the previous 10-year SCA with the Government on 31 December 2018, a new 15-year SCA has come into force on 1 January 2019 until 2033. The SCA puts our operations under very strict scrutiny.
- The Government's policies on air quality, climate change mitigation, fuel mix and electricity market competition are other important factors shaping the medium to long term development of our business.

Strategy and Approach

- We engage continuously with the Government and other stakeholders on the development of Hong Kong's electricity market, including related regulatory issues.



Fuel Supply

Key Challenge

- The power generating units at Lamma Power Station require uninterrupted supply of high-quality coal and natural gas.
- Any supply interruptions or shortages, including instances of sub-standard fuel quality, can significantly impact our business and undermine our ability to comply with legislated emission allowances in line with the Government's air quality objectives.
- Switching to natural gas, which is a cleaner but also more costly fuel, increases operational costs and also exposes our business to higher fuel price volatility.

Strategy and Approach

- We have a fuel supply strategy and fuel quality control systems in place to help secure a reliable and stable supply of quality fuels at reasonable prices.
- Diversification of gas supply is a key consideration as we progressively increase the proportion of natural gas in our fuel mix.



Economic Environment

Key Challenge

- Although global macro-economic growth remains moderate, various factors are contributing to uncertainty in global financial markets, including escalating trade protectionism, mixed signals on economic policy and rising geopolitical tensions.
- Hong Kong's economic growth has been adversely affected by US-China trade tensions. If a slowdown in Hong Kong leads to lower demand for electricity and related services, it could adversely affect our financial position and asset valuation.

Strategy and Approach

- We pursue prudent and pragmatic strategies for financial management and capital investment.
- We strive for efficiency and cost effectiveness in all aspects of our operations to enhance our financial performance.



Governance Practices

We are committed to high standards of corporate governance, including openness, integrity and accountability, which are essential for efficient and transparent business operations, attracting investment, enhancing shareholder value, and protecting the rights of shareholders and other stakeholders.

To this end, we uphold our corporate governance practices under a framework of processes, guidelines and policies that align with the Corporate Governance Code, as set out in the Listing Rules of the Hong Kong Stock Exchange.

Our Key Governance Practices

Risk Management

- **Enterprise Risk Management Framework** to identify, assess, mitigate and monitor key business, financial, operational and compliance risks, including top corporate risks and material emerging risks.
- **Compliance Framework** to manage compliance obligations on a company-wide basis.
- **Crisis Management Plan** to address emergencies, with each business unit also responsible for implementing their respective contingency plans to maintain business continuity.

In 2018, there were no instances of material non-compliance.

Business Ethics

- **Code of Conduct** to provide guidance for employees on ethical issues, including the reporting and treatment of unethical behaviour.
- **Fraud Prevention and Awareness Policy** to minimise exposure to fraud risk.
- **Various whistleblowing channels** for employees and external parties to report actual or potential illegal acts and violations of the Code of Conduct.
- **Monitoring mechanism** to review compliance with anti-corruption laws and the Code of Conduct, including a biannual anti-bribery and anti-corruption control assessment that evaluates the effectiveness of controls for managing bribery risks.

In 2018, there were no concluded legal cases regarding corrupt practices brought against HKEX or its employees.

Creating Value

- **Pursuing sustainable development opportunities for our business** through prudent investment in the latest innovative and environmental-friendly technologies for **delivering world-class quality power supply and service to customers**, and **helping Hong Kong transform into a smart, low-carbon city**.
- **Reducing the carbon intensity and improving the air quality of our city** by developing new gas-fired power generation facilities for replacing the retiring coal-fired units, as outlined in our 2019-2023 Development Plan.

We are implementing various initiatives to achieve our targets for sustainable development. We will review our performance and targets with particular reference to the United Nation's Sustainable Development Goals.



INNOVATION

Pursuit of Excellence is one of our Core Values. Even though we operate in a highly regulated and relatively stable business environment, we must maintain unwavering focus on innovation to achieve higher cost effectiveness, better customer service and more robust operating performance.

Promoting innovation is an integral part of our corporate strategy and management approach. We are committed to nurturing talent within our workforce and fostering their creativity. We recognise the contributions of our employees, build collaborative relationships among them, and promote respect and trust and an innovation-friendly culture.

In July 2018, we formulated our Innovation Strategy to facilitate effective end-to-end innovation life-cycle management, including oversight and execution of our Innovation Value Chain. In addition to forming an Innovation Steering Committee that will drive implementation of the strategy, we have also established a company-wide innovation portfolio that promotes innovative activities and developments across all business units. Twenty-one innovation proposals were adopted within the first three months of inception of our Innovation Strategy.

A Smart Cleaner that Never Complains

Innovative devices can help save manpower and reduce health and safety risks to our employees. In 2018, we put on trial a robotic cleaning machine with artificial intelligence features at the warehouse of Electric Tower and found that the overall cleanliness of the warehouse was enhanced in addition to the significant saving in the resources and costs compared with manual cleaning. We will extend this robot application to our other warehouses facilitating safer and more efficient operations.



Write Your Own Apps

To encourage the use of IT technology to improve our operations while optimising our IT resources, we launched an in-house "End User Computing Platform for Mobile App" in 2018 to enable our colleagues to develop mobile apps by themselves according to their business needs.

An example is our in-house developed mobile app for the ordering of energy-efficient appliances under the Smart Power Care Fund. This app not only helps the social workers of our partners smoothen the application process and save paper, but also facilitates the household visits, monitoring and planning, and data security and integrity.





“UFO” over Lamma Power Station

Case
Story 1

Law Wing-kei (left)
and
Chan Chi-hong (right)

Energy & Performance
Engineers



“If we think out of the box, some of the commonly seen equipment could be used to improve efficiency and productivity.”

Are they aliens arriving in a UFO? Or a foreign spy agency seeking to undermine our power supply? No, fortunately it's nothing to worry about but a drone helping HK Electric Energy & Performance Engineers Chan Chi-hong and Law Wing-kei perform an annual survey of our coal stock for accounting and planning.

“Before fully switching to gas-fired generation, keeping an adequate amount of coal in the coal yard is vital for our power plant operations,” says CH. “More than 10 years ago, we used traditional surveying techniques that were both labour and time intensive and took more than a week to complete.” WK adds, “Later, with technological advancement, we were able to reduce the surveying time to several days using 3D laser scanning.”

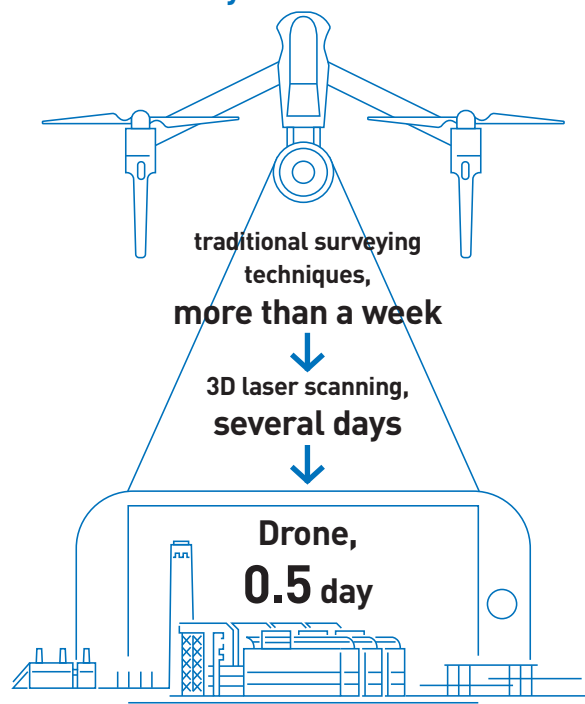
Now, with the use of drones, the survey can be completed within a single morning by capturing detailed images of every inch of the coal yard. CH says, “The idea came from a colleague who attended a seminar in 2016 where he heard about using a drone to create a terrain model of a construction site, so we decided to explore how it could help us and made a trial use of drones for survey of coal stock in end 2016.”

Following the formal use of drones for survey of coal stock in the last two years, this innovative method has proved to save time and cost, and achieved a better result.

Needless to say, there were several challenges to overcome along the way; such as finding a qualified expert to provide training and



Survey of Coal Stock



obtaining necessary permits. In addition to avoiding interference caused by the high-voltage cables at the power station, our drone operators have also learned to take account of limited battery life, which means the survey cannot be undertaken in one fly and several attempts are required to create a complete picture.

Even though drones themselves are not uncommon, this story illustrates how our culture of innovation is encouraging our employees to “think out of the box” by exploring ways to adopt new technology and improve productivity in different areas of our business.



The Use of Drones

The use of drones for inspection is in fact not limited to survey of coal stock. We also started using drones for structural inspections of our 200-meter-tall chimneys in 2017 and the inspection time has been significantly shortened from one month to a week. It also helps significantly reduce the inspection costs by 90% and mitigate the safety risks associated with working at height.



STAKEHOLDER ENGAGEMENT

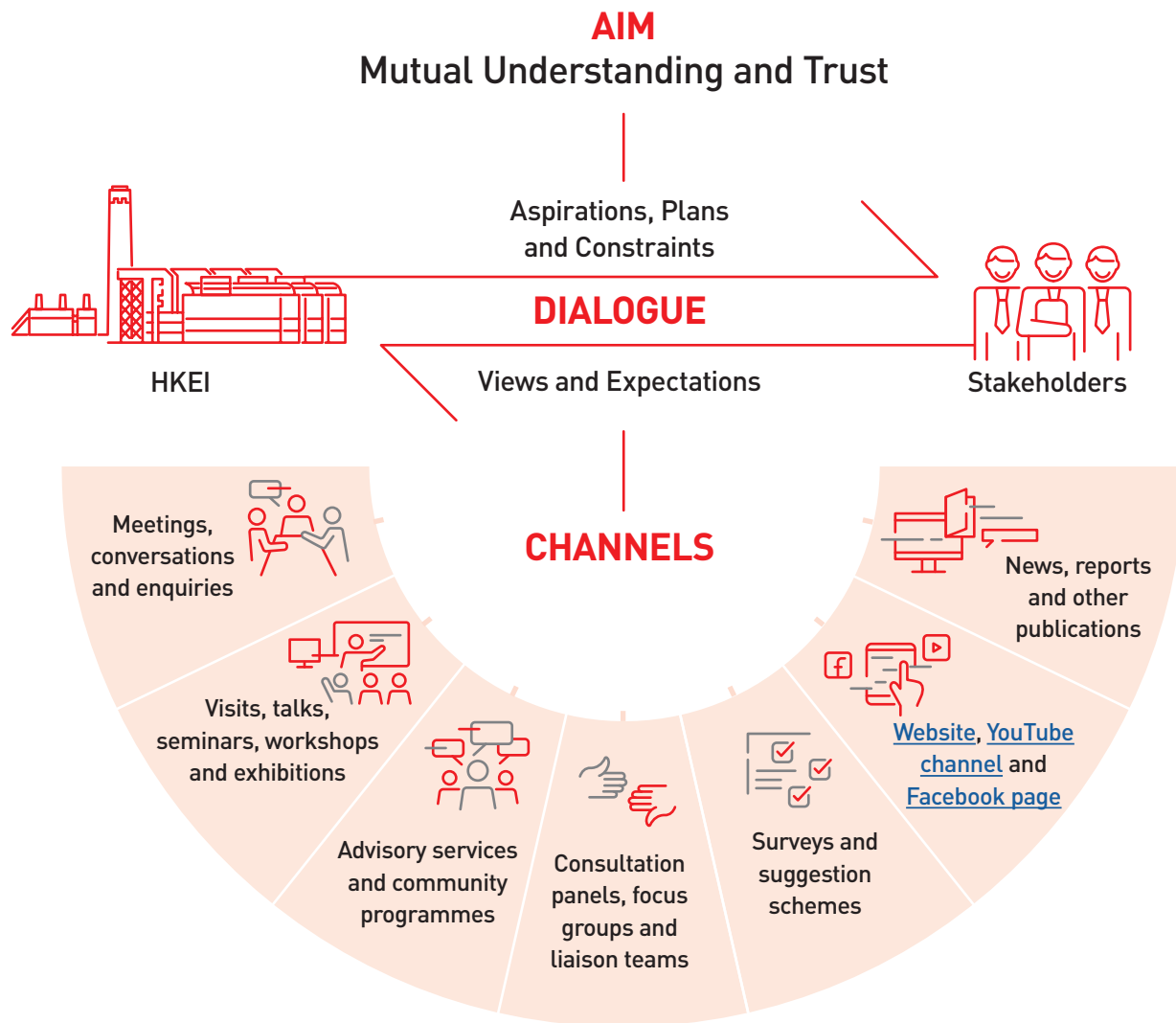
Our operations have significant impacts on our customers and community, among other stakeholders. We believe in open and effective communication with all stakeholders so that through dialogue, their views and expectations will continue to help shape the growth and development of our business for the future.

In 2018, we established a Stakeholder Satisfaction Steering Committee to oversee complaints management and revamped the relevant procedures to further improve customer satisfaction. We also set up a corporate [Facebook page](#) to enhance communication with stakeholders through social media as well as a CSR Corner on our intranet portal to promote CSR messages to our employees.





Stakeholder Engagement



Shareholders



Education Sector