SmarTone Telecommunications Holdings Limited

Stock Code : 0315

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019/20

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this report

SmarTone Telecommunications Holdings Limited and its subsidiaries (referred to in this report as "the Group", "the Company", "SmarTone" or "we") are pleased to present our environmental, social and governance report. This report covers the financial year ended 30 June 2020 and is prepared in accordance with the Environmental, Social and Governance Report Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The scope of this report covers our key business operations in providing telecommunications services in Hong Kong. The Group's operations in Macau and Guangzhou (customer service centre) are excluded from the scope as their scale is insignificant as compared to the Group's operations in Hong Kong.

This report highlights the Group's sustainability efforts in environmental and social aspects. For details of our corporate governance, please refer to the Corporate Governance Report included in the Group's Annual Report 2019/20.

Stakeholder engagement

The Group strives to create long-term value for our stakeholders. The Group maintains ongoing dialogue and engage with key stakeholders, including customers, employees, suppliers, media, shareholders, regulators and the communities, to understand their expectations and address their concerns. The Group collects views from stakeholders regularly through a range of channels such as meetings, interviews, focus group discussions, surveys and feedback programmes.

Customer service and satisfaction

We strive to deliver outstanding experiences and meaningful value to customers. The Group's superior service has been widely recognised, as evidenced by the service awards received from various reputable organisations during the past years.

For the year ended 30 June 2020, the Group received the following prestigious awards:

- **2019-2020 Smiling Enterprise Award**

  Mystery Shopper Service Association
  Smiling Employer Outstanding Award (1 award)
  Smiling Product Knowledge Award (1 award)
  Smiling Store Atmosphere Award (1 award)
  Outstanding Smiling Supervisor (2 awards)
  Smiling Supervisor (3 awards)
  Outstanding Smiling Staff (1 award)
  Smiling Staff (9 awards)

- **2019 Service & Courtesy Award**

  Hong Kong Retail Management Association
  Best Team Performance Award: Silver Award
  Telecommunications Category – Supervisory Level: Gold Award
  Telecommunications Category – Junior Frontline Level: Gold, Bronze and Outstanding Performance Awards
  Excellent Service Star (1 award)
  Retail Ambassador (16 awards)

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- **CAHK STAR Awards 2019**

  Communications Association of Hong Kong
  Best Mobile Network Operator – Gold
  Best Fixed Network Operator – Bronze

- **CIC Construction Innovation Award 2019**

  Construction Industry Council
  Construction Safety – 1st Prize (Project: SmartWorks)

Environmental protection

The Group is committed to environmental protection. It makes efficient use of resources, promote green awareness within the Group, follows eco-friendly management practices and supports community events to build a green living environment.

Emissions

Electricity is the key source of energy for our business and our major source of greenhouse gas (GHG) emissions. Other minor sources of emissions include our transport vehicles and standby emergency generators.

The Group incorporates energy efficiency in the design and operations of its cell sites and switching centres. We are deploying new generation of radio base station equipment with lower power consumption and higher tolerance to ambient temperature. We have converted some of our cell sites to non-air conditioned sites. For cell sites that still require air-conditioning, we deployed inverter-type air conditioners to reduce the power consumption on air-conditioning. All these measures will reduce much of the carbon emission from base station equipment and air-conditioning.

By the nature of our business, the discharges into water and land, and generation of hazardous and non-hazardous waste during our course of operations is minimal.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Use of resources, the environment and natural resources

In addition to our efforts in reducing power consumption by our cell sites and switching centres mentioned above, we also demonstrated our environmental concern through efficient use of resources in our daily operations.

Our entire line of retail shops uses a wirelessly operated customer management system. Frontline colleagues use the iPad to provide services to customers, including the use of e-Signature to replace paper for contract confirmation and the use of e-leaflets to replace paper-based promotional leaflets. The wireless system greatly reduces the use of paper in our sales process. We also established carbon reduction measures and progressively increase the use of high energy-efficient appliances in our daily operations to reduce carbon emissions.

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Examples of our environmental-friendly measures include:

Energy saving

- Replace T8 fluorescent tubes by LED lighting

- Reduce lighting provisions in non-working areas

- Gradually deploy intelligent fan coil units in the central air-conditioning systems to reduce energy consumption

- Install energy saving mechanism in certain offices (automatic switch off office lighting/air-conditioning in non-office hours)

- Use electrical fans instead of additional air-conditioning for overtime works in winter time when only a few staff are staying in office

- Encourage staff to switch off unnecessary lighting, equipment, personal computers and monitors in lunch time, after office hours, while away or in meeting

- Encourage staff to unplug all mobile phone chargers/adapters when they are not in use

Green procurement

- Use suppliers/vendors with recognised environmental-friendly certificates whenever possible

- Purchase office equipment with Grade 1 energy saving labels whenever possible

- Printing paper – select those made from 100% plantation fiber and 100% chlorine free bleached

Efficient use of paper

- Default duplex printing for digital copiers

- Encourage printing multiple pages on single sheet of paper

- Use print-on-demand system so unwanted print jobs can be deleted even after being sent to the servers

- Deploying electronic document management system to minimise paper filing and enhance documents sharing within the Company

- Use fax server to enable viewing incoming fax on desktop computers and so reduce paper printing

- Reduce or minimise newspaper/magazine ordering in paper form. Use on-line subscription if necessary

- Encourage staff to use digital presentation for meetings, instead of printing hardcopy handouts

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Recycling

• Use printer/fax/copier toners that can be collected/sold back to suppliers for recycling

• Participate in waste recycling schemes for collecting waste paper, used fluorescent tubes, aluminum cans and plastic bottles

• Stationeries – reuse internal envelopes and box files and encourage the use of ballpoint pen refills and mechanical pencils

• Collect festival cans and hampers (e.g. mooncake boxes) for recycling

Employment and labour practices

Employment

At SmarTone, we strive to provide an engaging, respectful and caring work environment to our employees. We embrace two ways communication. We conduct regular employee survey to take the pulse and use different internal communication channels to create line of sight to engage our employees at all levels. We provide training and development platform to support employees' career progression. We reward and recognise performance and behavior through pay, incentives and recognition award programs.

The Company care for the well-being of our employees. We encourage work-life balance through a variety of work practices. We implemented Flexi Working Hours since 2017 to support employees' needs in reporting duty. We built staff lounges/breastfeeding rooms in the main offices to address the needs of new working mothers. We grant a half-day paid "Family Leave" once every quarter to allow employees time off to take care of their families.

The Company also held a variety of staff activities throughout the year, which include:

• **Health talk**

A Chinese medicine practitioner was invited to deliver a talk on stress management for physical and mental health, from a perspective of traditional Chinese medicine.

• **Happy family Friday**

A family day was held for family members of all staff. They were welcome to have company visit and play around with our carnival games as well as taking family photos in our studio.

• **Music time surprise**

Music talents were invited to hold a mini busking on a Friday afternoon, giving staff an opportunity to relax after a week of hard work.

• **You-deserve-a-treat**

Surprise gifts were given to all staff as a token of thanks from the management. Gifts given during the year included ice-cream coupons, travel size hand sanitiser, herbal tea coupons and surgical mask storage folders.

The Group is an equal opportunity employer. All employees enjoy equal employment and career opportunities and no employee shall be disadvantaged because of sex, pregnancy, disability, marital status, family status, race, age, religious, beliefs or sexual orientation.

We believed that all employees have the right to work in an environment free of discrimination, harassment, vilification, and victimisation. The Group will not tolerate such behaviour under any circumstances.

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During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Health and safety

The Group is committed to providing employees with a healthy, safe and secure work environment that is free from all recognised hazards.

We incorporate workplace safety in the design and operations of our premises and the way we conduct business. First aiders and first aid box administrators are assigned for each office, shop and facility of the Group. Employees can assess information on occupational safety and hygiene awareness through a dedicated section in the Group's intranet. All accidents at work are properly reported and handled with due care.

Response to COVID-19

Given the outbreak of COVID-19 disease during the year, SmarTone has taken measures to safeguard the health of its employees. During the peak of the pandemic, to reduce the risk of spreading the infection in the community and workplace, we arranged non-front line, non-customer facing employees to work remotely from home on roster basis. For those who need to report duty to the offices, we allowed them to shift their office hours starting and finishing time so as to minimise the human contact in congested public transports when commuting to work. The operating hours of our retail shops has also been shortened during the period.

Cleaning and sanitising measures were strengthened for our retail shops and offices. At the early stage of the disease outbreak, the supply of surgical masks and hand sanitisers in Hong Kong was in severe shortage. The Company tried hard and successfully sourced enough supply of surgical masks and hand sanitisers for distributing to all employees for their use in the retail shops and the offices.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Development and training

SmarTone is committed to offering learning and development opportunities for all staff members in meeting the Group and business needs.

On-boarding training and orientation are provided to help new recruits get familiar with SmarTone and equip them to handle their daily works. The Human Resources Department organises numerous face-to-face or online training for employees in all ranks throughout the year, covering a wide range of topics including industry and business knowledge, legal and regulatory updates, communication skills, personal development, IT skills, etc. The Group also sponsors suitable employees to participate in external work-related training activities held locally or overseas. The Company's workflow of training management has been digitalised through the use of online learning management system "SmarLearn". With SmarLearn, employees can now review their training history and plan for their training needs more efficiently.

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Labour standards

The Group adheres to applicable labour standards and strictly prohibits the use of child or forced labour in its operations. Our suppliers and contractors are expected to follow similar standards of labour practices when collaborating with us.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

Operating practices

Supply chain management

The Group has a fair and open process in dealing with vendors. We will conduct competitive bidding/tendering for purchase of products and services.

The selection of the supply source is determined in a fair and unbiased manner. Due considerations are given to both technical and commercial aspects covering product quality, delivery commitment, satisfaction of service to meet our purchase needs as well as price performance. In evaluation of our supply source, credits will be given to vendors who have a corporate green policy for their products, production and manufacturing process in reducing wastage and protecting the environment.

Customer data privacy and security

Our employees will routinely handle or process personal data relating to the Group's customers. Employees will only collect and use personal information or data for legitimate regulatory, customer service and the Group's business purposes. They will:

- take all reasonable steps to keep personal data confidential and will only disclose this information to personnel in the Group that need to have access to the information for the purposes for which it was collected; and

- at all times respect any confidential and/or data protection obligations which may be in an agreement between the Group and a third party.

The Group's Information Security Division defines the policy on protection of customer information while the Information Services Division operates a range of controls to secure information properly against accidental or unlawful destruction, accidental loss, alteration, unauthorised disclosure or access and all other unlawful forms of processing.

The privacy policy forms part of the Group's Code of Conduct for employees and is clearly set out in the Employee Handbook. All employees are required to strictly follow.

The Group has installed a cyber security framework consisting of multi-layered defense through people, processes and technology. The layers of defense, in sequential order, are:

- People, processes, policy, practices
- Physical security (data centres, office)
- Network perimeter security (Internet facing)
- Internal network security
- PC and server security
- Application security
- Data security

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The Group provides regular security awareness and technical trainings to all levels of staff. Reinforcement reminders and alerts are sent to all staff as necessary.

The Group has set up an Information Security Committee ("ISC") which is chaired by the Chief Technology Officer. The ISC is composed of the technical team heads and the information security team. It holds monthly meetings to review latest cyber threats and risks, review effectiveness of implemented security controls, and provide direction for further improvements. Well-documented Information Security Policy is in place. External and internal information security assessments are carried out regularly.

The Group deploys state-of-the-art technology to protect its data.

Product responsibility

We strive to adhere with all applicable laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services of the Group.

As holder of telecommunications licences in Hong Kong, the Group takes proper and adequate safety measures for the safeguarding of life and property in connection with all installations, equipment and apparatus operated or used, including safeguarding against exposure to any electrical or radiation hazard emanating from the installations, equipment or apparatus operated or used by the Group. The Group complies with the safety standards and specifications as may from time to time be prescribed by the Communications Authority and any directions of the Authority in relation to any safety matter.

The Group strictly adhere to the requirements of the Trade Description Ordinance when conducting its business. Internal training, delivered by legal practitioners, has been given to staff who are responsible for sales and marketing.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruption

All employees are expected to conduct business lawfully and ethically and are prohibited from accepting, offering, promising or payment of bribes from or to any individuals, companies or government officials.

Employees are required to avoid any conflicts of interest, actual or potential, which will put the Group's interests and reputation at stake. All employees must declare to the Group any interest, direct or indirect, that they or members of their immediate family may have in any business or other organisations that would conflict with the interest of the Group.

While the Group has set in place policies, procedures, codes and guidelines to ensure that the highest standards of conduct and integrity are observed by employees, employees may still spot malpractice and wrongdoing within the Group during the course of employment. It is the obligation of all employees, including contractual, part-time and temporary employees, to report it in accordance with the reporting procedures set out in the Whistle Blowing Policy, which aims to provide a secured and confidential channel for employees to report such cases directly to the CEO, Executive Directors and the designated Whistle Blowing Officers.

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The above-mentioned policies on bribes, conflicts of interest and whistle blowing form part of the Group's Code of Conduct for employees and are clearly set out in the Employee Handbook. All employees are required to strictly follow.

<u>Regulatory compliance</u>

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

Community

SmarTone is dedicated in corporate social responsibility and is actively engaged in a wide range of social service activities to contribute to the Community.

"Be a SmarTizen" Programme

"Be a SmarTizen" is the new initiative of SmarTone to promote digital intelligence. Through the programme, we aspire for every citizen in Hong Kong to be a smart netizen. We aim to raise public awareness on digital intelligence, particularly in preparation for the upcoming 5G era and a smarter life.

We launched the "Be a SmarTizen" online one-stop information hub (https://smartizen.smartone.com/en). The hub consists of a wide range of information to cater for diverse needs of different segments, including cybersecurity tips; insights shared by school principals, parenting celebrities and influencers via regular columns discussing digital intelligence and trending topics from multiple perspectives; and recommendations on smart living apps. The hub's engaging and informative content will be constantly updated so that the public can build a better understanding of digital life in a positive manner, giving them a more vivid and holistic lifestyle in the digital era.

Apart from providing comprehensive information online, the "Be a SmarTizen" programme also offers a series of highlighted activities that empower the public to better understand digital intelligence through multiple channels. These include competitions and experiential activities, seminars and workshops, and partnership with NGOs to raise public awareness on digital intelligence.

SmarTone Hackathon

The third cross-industry SmarTone Hackathon was successfully held in October 2019. The theme of this year's competition was '5G & Smart City' to demonstrate Hong Kong as a vibrant international city. The competition attracted participation from over 150 software developers, designers and entrepreneurs, among which one third were from overseas countries and places including the USA, Canada, Korea, Thailand, the Greater Bay Area, Taiwan and India.

The winning teams were awarded cash prizes together with the latest gadgets. The champion team will also get a fast-track interview opportunity for either Cyberport Creative Micro Fund (CCMF) or Cyberport Incubation Programme for the chance to receive seed funding, while all the winning teams also enjoyed opportunities to be further developed and deployed in the development projects of Sun Hung Kai Properties Limited.

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Girls Go Tech (GGT) Alumni Programme

SmarTone is a corporate sponsor of The Women's Foundation's Girls Go Tech Alumni Programme for the Year 2019 and 2020. GGT Alumni Programme aims to encourage junior secondary school girls from under-privileged backgrounds to pursue traditionally male-dominated STEM-related subjects to maximise their future career options. The GGT Alumni Programme provides a self-learning and information sharing platform to further develop GGT Alumni's interest in STEM by providing them with advanced and engaging learning experiences throughout their secondary education.

SmarTone Volunteer Service Team

SmarTone regularly offers volunteering opportunities to our staff and actively promotes volunteering in an effort to give back to the community directly. These activities are organised by passionate individuals in the SmarTone Volunteer Service Team. Through their efforts, SmarTone staff have touched the lives of many and expanded their own minds in the process. SmarTone has been awarded by the Caring Company Scheme every year from 2002/03 until now.

During the year under review, SmarTone organised or participated in many social service activities, including the following:

- **Have Fun, Kids!**

  Around 60 volunteers, foster children and parents participated in this wonderful summer party at an indoor playground. Children not only had great fun in playing treasure hunt in the bubble pool and maze, they also designed their own unique and colourful eye masks.

- **Festival greetings to senior citizens**

  In celebration for the Mid-Autumn Festival and the Dragon Boat Festival, our volunteers visited senior citizens who are residing alone, with festive foods like moon cakes, sticky rice dumplings and fruits.

Help fight against COVID-19

The COVID-19 pandemic has been affecting Hong Kong severely, and the shortage of anti-epidemic items has put a strain on the community. During this critical time, SmarTone Volunteer Service Team initiated fundraising activities within the company, with all donations going into sourcing and purchasing anti-epidemic products such as surgical masks, hand sanitisers and alcohol wet wipes. These have been packed into over 800 anti-epidemic packs and distributed to the elderly, grassroot families and the visually impaired by Hong Kong Sheng Kung Hui, St. James' Settlement and The Hong Kong Society for the Blind.

To connect the community with technology, SmarTone also linked up with organisations such as The Hong Kong Jockey Club and social enterprise educational platform EdFuture to provide free mobile data for the underprivileged primary and secondary school students. This gave support and assistance to people in need of technological help in this critical time of fighting the virus in Hong Kong.

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Environmental key performance indicators

	Year ended 30 June 2020
Emissions	
Total greenhouse gas emissions (mainly from use of electricity under Scope 2)	57,311 tonne CO_2e
Energy consumption	
Electricity	104,579 MWh
Gasoline and diesel	437 MWh
Paper consumption	
Paper consumed (printing paper used during the course of business in offices, retail shops and stores)	20,457 kg
Paper recycled (all kinds of paper collected during the course of business and sent to recycling)	19,003 kg