SmarTone Telecommunications Holdings Limited Stock Code : 0315

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020/21

SmarTone 56 The Widest Coverage in HK

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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 2021 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 center) 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 2020/21.

The board of directors (the "Board") oversees the environmental, social and governance ("ESG") issues of the Group, and sets forth the overall ESG management approach, strategy and priorities. The Board is responsible for the overall risk management and internal control systems of the Group and for reviewing its effectiveness, which also covers the ESG-related risks to the Group's business. Risk management framework is in place to provide a consistent approach on the risk management processes in identification, assessment, treatment and reporting of all risks identified affecting key business processes.

We performed a materiality review based on a peer review and stakeholder engagement process that determine the material ESG aspects to the Group. We compared the year-to-year environmental and social data and adopted a consistent environmental data treatment approach to allow a fair comparison of our environmental performance over time.

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 recognized, as evidenced by the service awards received from various reputable organizations during the past years.

For the year ended 30 June 2021, the Group received the following prestigious awards:

• 2020 Service Talent Award

Hong Kong Retail Management Association
The Best Team Performance Award: Top Three
The Best Training Award: Gold Award
35th Anniversary – Most Retail Ambassadors' Brands: Gold Award
Telecommunications Category – Supervisory Level: Gold and Silver Awards
Telecommunications Category – Junior Frontline Level: Gold and Silver Awards
Excellent Service Star (13 awards)
Retail Ambassador (15 awards)
Top 10 Outstanding Service Retail Brands
Top 10 Outstanding Service Flagship Stores

2020 Top 10 Quality e-Shop Award

Hong Kong Retail Management Association Top 10 e-Shop Best Contract Fulfillment e-Shop

Marketing Excellence Awards 2020

Marketing Magazine Excellence in Data-driven Marketing Excellence in Launch/Rebranding

CAHK STAR Awards 2020

Communications Association of Hong Kong Best Mobile Network Operator – Silver Best Fixed Network Operator – Silver Best Enterprise Service – Silver and Bronze Best 5G Mobile Operator – Bronze Best 5G Application – Bronze Best 5G Connected Arena – Bronze

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.

In May 2020, SmarTone launched 5G service to spearhead smart city development in Hong Kong. SmarTone selected Ericsson as the sole 5G vendor for the deployment of 5G in Hong Kong. If 5G is deployed in the same way as previous generations to meet the increasing traffic demands, energy consumption of mobile networks would increase dramatically. This is unsustainable in terms of cost as well as environmental impact. Ericsson introduces an innovative approach to reduce network energy use. It includes solutions that enable operator networks to use as little energy as possible while managing expected growth in data traffic; meeting the needs of both current and future 5G networks.

The Group incorporates energy efficiency in the design and operations of its cell sites and switching centers. 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. With the use of new technology and state-of-the-art base station equipment, it is expected that the electricity consumption of our newly built or upgraded radio base stations will be reduced by approximately 25%. The new generation of base station equipment will be deployed in our network phase by phase according to the network upgrade plan and technology evolution.

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 centers 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.

Examples of our environmental-friendly measures include:

Energy saving

- Use energy-saving lighting fixture (LED) and electronic ballasts
- 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 wintertime 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 recognized 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 minimize 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 minimize 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 •

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; encourage smart use of stationery
- Collect festival wrappings and hampers (e.g., mooncake boxes) for recycling

By the nature of our business, the usage of water during our course of operations is minimal. The Group is primarily engaged in telecommunications services offering voice, multimedia and mobile broadband services, which does not require any packaging material. The package material used for the mobile devices and accessories sold by the Group during the course of business is part of the products and is provided by the respective mobile device and accessory manufacturers.

Climate change management

Climate change is a global challenge that affects communities and businesses as a whole. One of the consequences of climate change is extreme weather events, such as hurricanes and flooding which may affect the Group's daily operations. The Group has emergency plans to respond to possible disruptions in network and business operations. It also makes every endeavor, as mentioned in previous paragraphs under this section, to run an environmental-friendly and low-carbon emission business to help fight against global climate change.

Employment and labor practices

Employment

At SmarTone, we strive to provide an engaging, respectful and caring work environment to our employees. We embrace two ways communication. We 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 recognize 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. In response to the need for stress and emotional management as a result of social and pandemic disturbance, we put in place an Employee Assistant Program to provide psychological, work and family consultations to employees and their family members to maintain their psychological health.

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

• Health talks

In response to COVID-19, the Company held a series of anti-pandemic online seminars during the year. The seminars covered a wide-range of topics, taking care of the physical and mental health of not only the employees themselves but also their family members. The speakers were all professionals including registered dietitians, counselling psychologists, etc.

• Virtual Chinese New Year Reunion

We gather together via video streaming to express our New Year good wishes to each other, and witness the ceremonial "roast pig cutting" by senior management and greetings from the God of Wealth.

You-deserve-a-treat

Surprise gifts were given to staff as a token of thanks from the management. Gifts given during the year included ice-cream coupons for the Mid-Autumn Festival and rice dumplings for the Dragon Boat Festival.

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 victimization. The Group will not tolerate such behavior under any circumstances.

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 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 in the earlier part of the year, 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 sanitizing measures were strengthened for our retail shops and offices.

The Hong Kong Government launched a Universal Community Testing Program on COVID-19 in September 2020. The program aimed to better gauge the COVID-19 infection situation in Hong Kong and find asymptomatic patients as early as possible to achieve early identification, early isolation and early treatment, and to cut the virus transmission chain in the community. SmarTone supported this program and allowed the employees to attend the test during office hours.

The best way to fight against COVID-19 is taking vaccination. The Hong Kong Government launched COVID-19 vaccination program in March 2021 and has extended the Program to cover residents aged 16 or above since April 2021. To support employees who want to participate in the vaccination Program, employees are allowed to take the vaccination during office hours. In considering employees may need rest after the vaccination, SmarTone provides one day of paid leave to the employees on the following day after receiving each dose of the vaccination. To encourage employees to be vaccinated as early as possible, SmarTone has also contracted with CUHK Medical Centre to provide health check service for COVID-19 vaccination to release employees' concern for vaccination due to personal circumstances.

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 organizes numerous face-to-face and 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.

Labor standards

The Group adheres to applicable labor standards and strictly prohibits the use of child or forced labor in its operations. Our suppliers and contractors are expected to follow similar standards of labor 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 labor.

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, unauthorized 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 centers, office)
- Network perimeter security (Internet facing)
- Internal network security
- PC and server security
- Application security
- Data security

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.

Responding to customers' feedback

SmarTone treasures customers' feedback on our network and service, which drives us to continuously improve and give us valuable insights for future development. There are many channels for the customers to voice out their opinion, including 24/7 sales and service hotlines, 24-hour online live chat, online feedback/complaint/enquiry forms via website or mobile apps, etc.

Our customer service representatives will handle the feedback and complaint cases timely and professionally. All frontline and customer service representatives have received proper training to handle customer complaints and enquiries. There is established guideline in place so that complaint or enquiry cases can be treated in a consistent manner. Afterall, customers' satisfaction is our utmost priority.

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 licenses 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.

The Group is primarily engaged in telecommunications services offering voice, multimedia and mobile broadband services, and re-selling of mobile devices and accessories of other manufacturers. Due to the nature of the Group's business, the risks of product recalls for safety and health reasons and infringement of intellectual property rights during the course of business are both 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 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.

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.

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 bribery, extortion, fraud and money laundering.

Community

SmarTone is dedicated in corporate social responsibility. It launched different products or services and actively engage in a wide range of social service activities to contribute to the Community.

SmarTone 5G LAB

The 5G LAB, located at the iconic sky100 Observation Deck of the International Commerce Centre (ICC), features some of Hong Kong's newest 5G applications, as well as emerging applications globally. This LAB aspires to inform the public of the latest trends on 5G's development in Hong Kong, and how the 5G infrastructure will support Hong Kong's development as a Smart City and a digital hub.

Hong Kong is a leader in 5G development but the success of 5G takes more than just a robust network; it requires an ecosystem-wide collaboration amongst universities, startups, industry-leading technology companies etc. The 5G LAB aims to bring these players together and further strengthen this ecosystem in Hong Kong. Using the 5G LAB as a key platform, SmarTone leads industry collaboration by embarking on a vision to elevate daily lives with new 5G customer experiences, plus enhance enterprise services and operational efficiency with game-changing 5G applications.

"Be a SmarTizen" Program

"Be a SmarTizen" is the on-going initiative of SmarTone to promote digital intelligence. Through the program, 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 collaborated with local NGO WebOrganic to develop the program of "Elderly's Smartphone Made Easy" program, to empower the elderly to be well equipped on both technical and soft skills of using smartphone and cybersecurity.

SmartWorks

SmartWorks is an award-winning end-to-end solution to protect workers' health and safety on construction sites. Based on cloud and the Internet of Things technology, it is a smart site management system enhancing worker safety and operational efficiency by employing image analysis, artificial intelligence and machine learning. Safety features include Smart Helmets, SmartHealth Station, large machine safety-alert system, access control, and environmental station.

The solution was awarded first prize in Construction Safety in the CIC Construction Innovation Award 2019.

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 organized by Human Resources with participation of passionate individuals forming 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 organized or participated in many social service activities, including the following:

• Smartphone workshop for the elderly

The new era of 5G is a very important milestone in the telecommunications industry, which will promote the intelligentization of the entire city. The elderly, like the younger generations, also want to keep pace with the latest development in communications. SmarTone, together with HKSKH Lok Man Alice Kwok Integrated Service Centre, organize a smartphone workshop for the elderly. Our experienced smartphone gurus shared practical smartphone usage tips with the elderly, letting the smartphones bring them a more convenient life.

• Meals for the needy

Joining hands with Gingko House, our volunteers help prepare and distribute free meal boxes at different restaurants for the underprivileged.

• Christmas gifts for kids

The volunteer team cooperated with the Hong Kong Family Welfare Society to send small gifts and Christmas cards (hand-written by our colleagues) to children from low-income families or foster families, enjoying Christmas together.

• Chinese New Year greetings to the elderly

In the Chinese New Year under the pandemic, it was not easy to feel the festive atmosphere, especially for the elderly who are living alone. Our volunteers sent gift packs of festive foods and sanitizers to the home-alone elderly, hoping that they would feel warm in their hearts in the cold winter days.

• Home Visit to the Elderly

Many of the elderly expressed their living and emotional challenges of staying at home resulting from the pandemic impacts. The volunteer team brought along health protection packs, paying a physical visit to the elderly to show the care and to cheer them up. The face-to-face meeting in the midst of pandemic touch the heart of the elderly.

Key performance indicators

Environmental performance

	Unit	Year ended 30 June 2021	Year ended 30 June 2020
Greenhouse gas (GHG) emissions			
(mainly from use of electricity under Scope 2)			
Total GHG emissions ¹	tonne CO ₂ e	52,407	57,311
Total GHG emissions intensity	tonne CO ₂ e/	0.012	0.013
	service revenue		
	HK\$'000		
Energy consumption			
Electricity	MWh	108,470	104,579
Gasoline and diesel	MWh	397	437
Total energy consumption intensity	MWh/	0.025	0.023
5, 1 ,	service revenue		
	HK\$'000		
Paper consumption			
Paper consumed (printing paper used during the course	kg	19,695	20,457
of business in offices, retail shops and stores)			
Paper recycled (all kinds of paper collected during the course of business and sent to recycling)	kg	26,522	19,003

Note:

Emission data in Scope 2 is calculated by multiplying electricity consumption and the emission factor from CLP Group or 1. Hongkong Electric Company Limited.

Social performance

	Unit	Year ended 30 June 2021
Employee profile		
Total workforce	no. of people	1,227
Total workforce by rank		
– Managerial	no. of people	263
– General	no. of people	964
Total workforce by gender		
– Female	no. of people	438
– Male	no. of people	789
Total workforce by age group		
– Under 30	no. of people	135
- 30 - 50	no. of people	863
– Above 50	no. of people	229
Total workforce by employment type	no. or people	223
– Full-time	no. of people	1,211
– Part-time	no. of people	
- Part-ume	no. or people	16
Employee turnover	0/	40.5
Employee turnover rate	%	18.6
Employee turnover rate by gender		
– Female	%	20.2
– Male	%	18.3
Employee turnover rate by age group		
– Under 30	%	37.1
– 30 – 50	%	18.4
– Above 50	%	8.1
Occupational health and safety		
Work-related fatalities ¹	no. of people	0
Lost days due to work injury	days	4.5
Development and training		
Total workforce trained	no. of people	751
Employee trained by employee category		
– Managerial	no. of people	200
– General	no. of people	551
Employee trained by gender	no. or people	
– Female	no. of people	284
– Male	no. of people	467
Average training hours per employee by employee category	no. or people	407
	hours (oppolous o	6.24
– Managerial	hours/employee	6.34
– General	hours/employee	6.34
Average training hours per employee by gender		
– Female	hours/employee	5.94
– Male	hours/employee	6.58
Supply Chain Management		
Number of approved suppliers by geographical location		
– Local	no.	295
– Overseas	no.	38

1. There is no work-related fatality in each of the past three years including the year ended 30 June 2021.