

A Word from our CEO

“ We render our full support to the Government on the best way forward to achieve carbon neutrality by introducing zero-carbon energy sources and carbon reduction technologies. At the same time, we will maintain a close dialogue with our stakeholders to ensure the energy needs of our society will continue to be met. ”





2020 has been a year of unprecedented events affecting all Hong Kong people; but HKEI continues to move forward to meet its development milestones with purpose and optimism.

Thanks to the dedication of our workforce and the continued support of our stakeholders, we have shown remarkable resilience in the face of the COVID-19 pandemic. In addition to installing and commissioning our new gas-fired combined-cycle units, we have maintained world-class electricity-supply services to our customers while safeguarding the health and safety of our employees.

HKEI recognises that climate change is a sustainability challenge of monumental significance to Hong Kong. We are in the process of decarbonising our operations while pursuing a long-term development pathway leading to net-zero carbon emissions. We strive to help transform our city into a low-carbon economy because it is in the best interest of our customers, our community and our planet.

We welcome the Government's ambitious statement announced in November to strive towards carbon neutrality before 2050. Achieving city-wide net-zero carbon emissions is a long-term commitment that entails close coordination among all stakeholders, including those involved in policy formulation, technology development and investment. To this end, HKEI fully supports the Government and will engage with its stakeholders on the best way forward to achieve the target together.

Keep Going | Keep Growing

The COVID-19 pandemic has been enormously disruptive to daily lives and the economy, but it has not shifted HKEI's focus. During the year, we overcame many challenges posed by social distancing to successfully commission the first of three identical gas-fired units. We also maintained our network supply reliability at higher than 99.999% for the 24th year in a row, and even surpassed all past records with a figure of over 99.9999%.

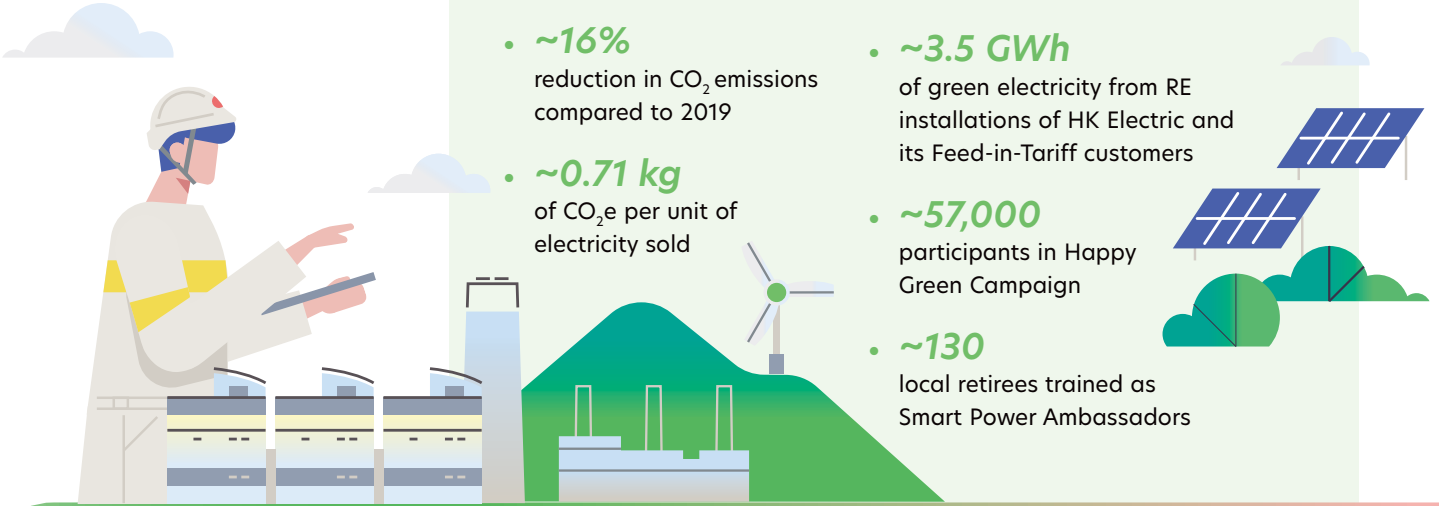
In April 2020, we began to deploy Advanced Metering Infrastructure and smart meters to help transform Hong Kong into a smart city. In addition to fulfilling our installation target of 40,000 smart meters on customers' premises, we made significant progress in developing new wireless infrastructure for transmitting energy consumption data safely and securely to our data management centre.



2020 Performance Highlights

Environment & awareness

- **~50%** electricity output from natural gas
- **~16%** reduction in CO₂ emissions compared to 2019
- **~0.71 kg** of CO₂e per unit of electricity sold
- SO₂, NO_x & RSP emissions **below stipulated emissions allowances**
- **~3.5 GWh** of green electricity from RE installations of HK Electric and its Feed-in-Tariff customers
- **~57,000** participants in Happy Green Campaign
- **~130** local retirees trained as Smart Power Ambassadors



Keep Caring | Keep Sharing

Employee health and safety is one of our top priorities. In response to the emerging pandemic, we developed and implemented a series of business continuity plans and emergency response measures to reduce the risk of infection. As a testament to the effectiveness of these measures, there were no recorded incidents of secondary infection in our workplaces, notwithstanding three isolated COVID-19 cases among our employees and contractor personnel.

The wellbeing of our customers is close to our hearts. In order to extend support to people and businesses experiencing hardship during the pandemic, we distributed \$20 million worth of dining coupons for low-income families to enjoy meals at small eateries in our supply areas. For commercial customers impacted by the pandemic, particularly Small and Medium-sized Enterprises (SMEs), we provided a 6-month tariff adjustment waiver, a 2-month bill-payment deferral and financial subsidies for purchasing new energy-efficient equipment. These measures provided relief to more than 70,000 non-residential customers and 180 SMEs.

We will continue to provide relief measures and energy-saving programmes for customers in need during 2021, albeit on a reduced scale. We expect the new round of initiatives to benefit more than 40,000 low-income families and 500 SMEs. In doing so, we hope to contribute to the economic recovery of Hong Kong as it emerges from the shadow of COVID-19.

Keep Greening | Keep Decarbonising

We are progressing with our 2019-2023 Development Plan, in which a significant portion of the \$26.6-billion capital expenditure has been earmarked for decarbonisation initiatives such as transitioning from coal to gas for power generation. We are also actively supporting greater adoption of electric vehicles and encouraging our customers to participate in the Feed-in Tariff Scheme and other energy efficiency and conservation programmes.

At Lamma Power Station, we are replacing coal-fired generating units as they retire with three highly-efficient gas-fired combined-cycle units. Following the commissioning of L10 in February 2020, the proportion of gas-fired generation in our total power output has increased to about 50%.

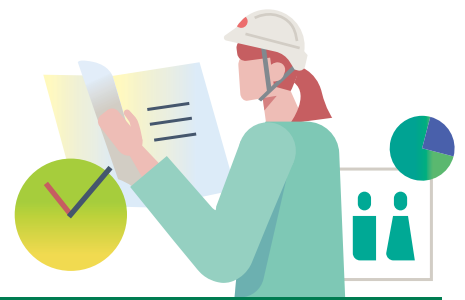
The construction of another two units, namely L11 and L12, is on track despite unforeseen delays caused by the pandemic. The units are scheduled for commissioning in 2022 and 2023, at which time we expect around 70% of our electricity output will be generated by natural gas, thereby reducing our carbon emissions by about 40% compared with the 2005 level.

To meet the increasing demand for reliable and cost-competitive natural gas supply, we are collaborating with CLP Power to develop an offshore liquefied natural gas terminal using "Floating Storage and Regasification Unit" technology. Project construction has begun and is on schedule for completion in 2022.



Customer & community care

- **>99.9999%** new supply reliability record;
- **<0.5 minute** unplanned customer minutes lost first time ever
- **4.7** average customer satisfaction rating (on a 5-point scale)
- **>40,000** smart meters installed
- Subsidies approved for **85** buildings under Smart Power Building Fund
- **210** free Smart Power Energy Audits
- **72** grid connections under Feed-in Tariff Scheme
- **>1,600** households subsidised under Smart Power Care Fund
- **\$20 million** worth of "Care and Share" dining coupons distributed to low-income families
- **>6,800** single elders received care messages weekly under CAREnJOY since May



Safety & employee care

- **3** lost time injuries
- **0.17** lost time injury frequency rate
- **19.35** lost time injury severity rate
- **~18** training hours per employee
- **2.4%** low employee turnover rate

Going forward, we believe there is room to further develop into all-gas power generation at Lamma Power Station after 2023, subject to new directions set by the Government as it works to update "Hong Kong's Climate Action Plan."

Keep Cultivating | Keep Advancing

HKEI's success depends upon the hard work and professionalism of our team. I am confident that we can rise to any challenge by continuing to attract and retain talent; and by empowering our people to drive positive changes. In 2020, we received the Randstad Employer Brand Awards, which identifies us as an employer of choice ranked third among Hong Kong's Top 20 Most Attractive Employers.

Innovation is increasingly driving HKEI's business strategy. We encourage our colleagues to foster creativity and explore continuous improvement opportunities across our operations. In September 2020, we were honoured to receive the "Hanson Grand Retro-commissioning (RCx) (Implementation) Award" under the Government's Energy Saving Championship Scheme for our innovative energy conservation project at Electric

Tower. The RCx project showcased new ways of saving energy in the built environment by adopting appropriate technologies such as AI.

To conclude, I would like to emphasise that strong leadership and governance is an integral part of HKEI's approach to ensuring long-term and sustainable value for our stakeholders. During the year, we established a Board-level Sustainability Committee to provide oversight on key ESG-related matters and formalised our Sustainability Framework, demonstrating our commitment to embracing sustainability in our operations.

"Keep going, keep growing" is the motto that captures our sentiment for the future of our business and our city. I thank each and every one of you who continues to stand with HKEI in these challenging times. I am confident that with our determination and can-do spirit, we are making progress towards a greener and more sustainable future.

Wan Chi-tin

**Chief Executive Officer
March 2021**