



# Our Business and Approach to Sustainability



## HKEI in Brief

Constituted in January 2014, HK Electric Investments is a fixed single investment trust in Hong Kong focusing purely on the energy sector. Our Share Stapled Units issued by the trust and HK Electric Investments Limited (collectively known as HKEI) are listed on the Main Board of the Hong Kong Stock Exchange. Our trust is structured to enable us to maintain a single-minded focus on delivering stable distributions to holders of our Share Stapled Units, while ensuring we have the potential for sustainable long-term growth.

Our main operating company, HK Electric, is one of the longest established utility companies in the world, commencing operations in 1890. HK Electric supplies electricity to about 584,000 customers on Hong Kong Island and Lamma Island through a vertically integrated power-utility operation, including our Lamma Power Station (LPS) on Lamma Island, under a Scheme of Control Agreement (SCA) with the HKSAR Government. For over 130 years, HK Electric has contributed immeasurably to the economic and social development of Hong Kong by providing a safe, reliable, clean and affordable electricity supply.

For more information about HKEI and HK Electric, please visit our corporate website [www.hkei.hk](http://www.hkei.hk).



### 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

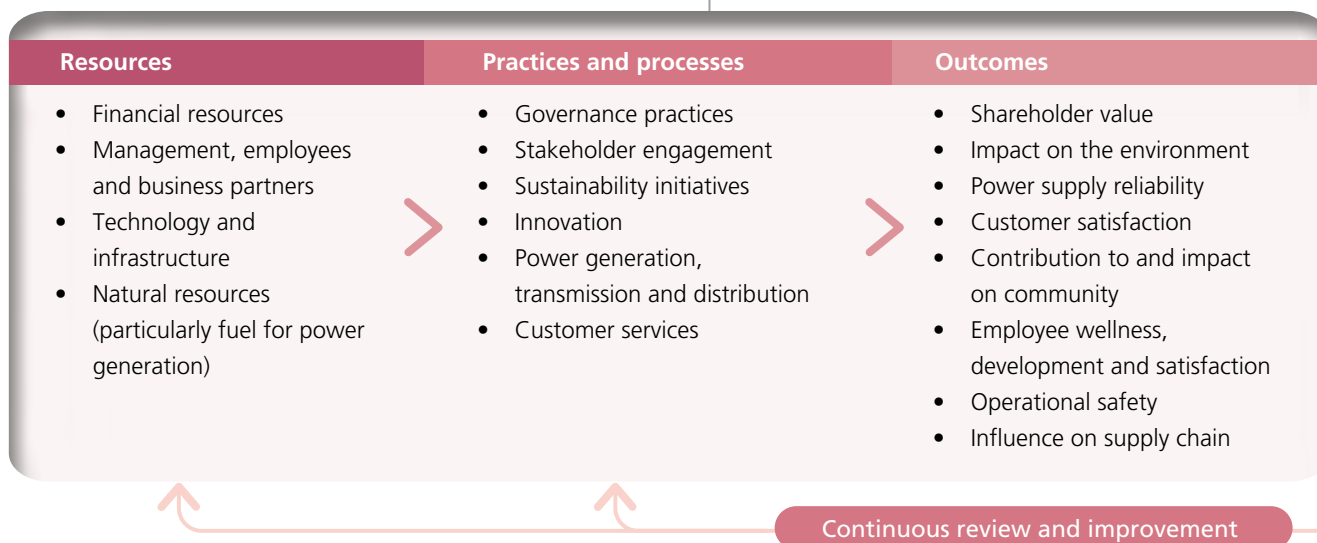


### Core Values

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



### Our Value Chain



### Business Profile (as at the end of 2021)

<b>Service territories</b>	Hong Kong Island and Lamma Island	
<b>Installed generating capacity</b>	6 coal-fired units: <b>2,000 MW</b> 5 oil-fired gas turbine units: <b>555 MW</b> 3 gas-fired combined-cycle units: <b>1,060 MW</b> 1 solar power system: <b>1.1 MW<sup>#</sup></b> 1 wind turbine unit (Lamma Winds): <b>0.8 MW</b>	<b>Total: 3,617 MW*</b>
<b>Transmission and distribution network</b>	High-voltage circuit length: <b>445 km</b> Medium-voltage circuit length: <b>4,081 km</b> Low-voltage circuit length: <b>2,209 km</b>	<b>Total: 6,734 km</b>
<b>Operations</b>	Number of customers: <b>~584,000</b> Electricity sold: <b>10,361 millions of kWh</b>	
<b>Workforce</b>	Number of permanent employees: <b>1,699</b> Number of contract employees: <b>133</b>	
<b>Economic contribution</b>	Total capital expenditure: <b>\$6,001 million</b> Distributable income: <b>\$2,830 million</b>	

# The capacity of the solar power system has gradually increased from 1 MW to 1.1 MW due to replacement of aged panels with those of larger capacity.

\* To achieve Hong Kong's fuel mix target of around 50% gas generation from 2020, HK Electric not only had to build a new gas-fired unit L10, but also defer the retirement of an old gas-fired unit GT57. Instead of the original schedule of 2020, GT57 will now retire in 2022 when another new gas-fired unit L11 comes into operation. This is an interim measure to achieve the above government objective. The installed capacity in 2021 without GT57 would otherwise be 3,272 MW.



# Sustainability Governance

HKEI is committed to running a sustainable business in a responsible and transparent manner. Our approach to sustainability is built on a robust foundation of corporate governance and high ethical standards based on the principles of openness, integrity and accountability.

We have a Sustainability Framework in place to ensure that sustainability considerations are integrated into every aspect of our corporate culture and business operations. It is guided by our Vision, Mission and Core Values and aligned with our Sustainability Policy and other key corporate policies, and demonstrates clear interlinkages with the United Nations' Sustainable Development Goals. Built on four strategic pillars incorporating 14 material focus-areas, the Framework helps us translate our values and commitments into measurable targets and actions, and enables us to better communicate our impact with stakeholders.

Our commitment to sustainability cascades from the top of our organisation. Accountability for the Group's overall sustainability strategy, management, performance and reporting resides with the Board of Directors (the Board), which is supported in this important aspect by a Board-level Sustainability Committee.

The objectives of the Sustainability Committee are to oversee management and advise the Board on development and implementation of sustainability initiatives across the Group, including reviewing related policies and practices, and assessing and making recommendations on sustainability risks and opportunities. It also reviews and advises the Board on public communications and disclosures concerning the Group's sustainability performance and impact on stakeholders and the environment, including the Sustainability Report. For more information about how the Sustainability Committee assists the Board in overseeing management of material sustainability issues and related goals and targets, please refer to its [Terms of Reference](#) on our corporate website and the ensuing sections of this chapter.

At management level, the Sustainability Management Committee, chaired by the CEO, supports the Sustainability Committee in fulfilling its responsibilities by driving and coordinating the Group's sustainability efforts and promoting understanding of sustainability within the Group. It meets four times a year to review progress.



## Sustainability Governance Structure



As part of our commitment to continuous improvement, we participate in local and global benchmarking initiatives such as Hang Seng Corporate Sustainability Indexes, MSCI ESG Rating, S&P ESG Rating and Sustainalytics ESG Risk Rating, enabling us to be showcased on the product repository of the Sustainable & Green Exchange (STAGE) established by HKEX. In recent years, we have also consistently appeared in the Euronext Vigeo World 120 Index.



## Our Sustainability Framework



Guided by our **Vision, Mission and Core Values**

Aligned with our **Sustainability Policy** and other **Key Corporate Policies**

Commitment	Objective	Approach
Operating our business in a responsible and transparent manner while supporting sustainable development and meeting the long-term energy needs of our community	Striving to be a world-class electricity supplier, a good corporate citizen and an employer of choice	Integrating sustainability considerations into our operations and engaging with our stakeholders to create shared value

### Strategic Directions



#### 1 Running a Sustainable Business

Ensuring a strong foundation for supporting sustainable development

##### Material Areas

- 1.1 Delivering long-term value for our investors through sustainable growth
- 1.2 Upholding high standards of corporate governance and disclosure
- 1.3 Managing risks and opportunities effectively
- 1.4 Building mutual trust with our stakeholders
- 1.5 Fostering a culture of innovation



#### 2 Sharing our Planet

Sustaining a beautiful and liveable planet for our future generations

##### Material Areas

- 2.1 Combating climate change
- 2.2 Minimising the environmental impact of our operations
- 2.3 Promoting environmental awareness



#### 3 Serving Hong Kong

Making our home a prosperous, smart and caring city

##### Material Areas

- 3.1 Providing a reliable and affordable electricity supply
- 3.2 Delivering excellent customer services
- 3.3 Caring for the community



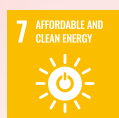
#### 4 Working with Partners

Engaging with our employees and business partners to ensure safe and responsible business operations

##### Material Areas

- 4.1 Caring for our employees and their families
- 4.2 Improving health and safety performance continuously
- 4.3 Managing our supply chain responsibly

### Supporting the United Nations' Sustainable Development Goals, specifically:



**Goal 7**  
Affordable and Clean Energy



**Goal 9**  
Industry, Innovation and Infrastructure



**Goal 13**  
Climate Action



# Materiality

We review and update our materiality assessment every year to identify and understand new developments impacting our business and our stakeholders. Building on our previous materiality assessment, we stepped up our efforts in 2021 to better identify material issues. The materiality assessment process involves comprehensive desktop-research and stakeholder engagement. As a result, a total of 24 material topics were identified. Some material topics considered previously were consolidated with related topics, while some topics were renamed for better clarity.

The outcomes of our 2021 materiality assessment have been reviewed and endorsed by the Sustainability Committee. Among the 24 material topics, "Business Ethics", "Greenhouse Gas Emissions", "Supply Reliability, Plant Availability and Generation Efficiency" and "Occupational Health and Safety" have been identified as the top material topics under the respective strategic directions of our Sustainability Framework. The overall priority of material topics remains largely consistent with the previous year's results. The outcomes serve as good reference for refining our goals and targets, helping us allocate our resources more effectively to create shared value for the Group and our stakeholders.



## 2021 Materiality Assessment Process





## 2021 Materiality Assessment Outcomes

Material topics identified under each strategic direction of our Sustainability Framework are listed below in descending order of importance. Cross-referencing to material areas in our Sustainability Framework is shown in brackets.

- Business Ethics (1.2)
- Corporate Governance (1.2)
- Management of Risk and Opportunities (1.3)
- Contingency Preparedness (1.2, 4.2)
- Stakeholder Engagement (1.4)
- Innovation (1.5)
- Economic Performance (1.1)

### Why they matter?

At HKEI, strong corporate governance is at the core of running our business in a responsible and ethical way. A breakdown in corporate governance caused by operational negligence, legal violations or failure to follow acceptable standards of corporate behaviour can threaten a company's reputation or financial stability. These consequences go beyond employees and shareholders to affect customers, suppliers and the community. Transparency is equally essential for demonstrating how the benefits generated by an electric utility are shared across the community.



**RUNNING A  
SUSTAINABLE BUSINESS**

- Greenhouse Gas Emissions (2.1)
- Climate-related Risks and Opportunities (1.3, 2.1)
- Impact on Air Quality (2.2)
- Energy Consumption and Saving (2.2, 3.2)
- Water and Effluents (2.2)
- Materials and Waste (2.2)
- Biodiversity Conservation (2.2)
- Promoting Environmental Awareness (2.3)

### Why they matter?

Climate change affects the business of all power utilities, including HKEI, creating both risks and opportunities that drive a global transition towards a low-carbon future. Climate impacts emerge in the form of physical risks to infrastructure and transitional risks prompted by changing regulations and market expectations. We need to constantly refresh our business strategies and investment plans to keep climate considerations front and centre.



**SHARING  
OUR PLANET**

- Supply Reliability, Plant Availability and Generation Efficiency (3.1)
- Access to Electricity and Affordability (3.1)
- Customer Privacy, Health and Service (3.2, 4.2)
- Asset Management and Security (3.1)
- Community Relations and Investment (2.3, 3.3)

### Why they matter?

As one of the major energy suppliers in Hong Kong, HKEI recognises that access to affordable energy can improve quality of life and create economic wealth to benefit community livelihoods. Effective community engagement is also the way to build mutual respect, trust and confidence with our stakeholders. On the other hand, lack of consultation and collaboration can lead to adverse impacts giving rise to potential disruptions for project planning or operations.



**SERVING  
HONG KONG**

- Occupational Health and Safety (4.2)
- Human Capital Management (1.2, 4.1)
- Sustainable Supply Chain (4.3)
- Human Rights Management (1.2, 4.1, 4.3)

### Why they matter?

HKEI has a long history of addressing health and safety risks. Encouraging safe and healthy practices within the workplace through systematic management provides lasting benefits for the workforce and the general public. Empowering people and upholding high standards of business ethics throughout the value chain brings to life HKEI's vision to excel in the power business in Hong Kong.



**WORKING  
WITH PARTNERS**



# Sustainable Development Goals

HKEI supports the United Nations' 2030 Agenda for Sustainable Development, which aims to end poverty, protect the planet and ensure peace and prosperity for all people by 2030.

From among the 17 Sustainable Development Goals (SDGs), we have identified three SDGs that are most closely aligned with our corporate strategy and business priorities: Affordable and Clean Energy (Goal 7), Industry, Innovation and Infrastructure (Goal 9) and Climate Action (Goal 13). We have established internal targets to gauge our progress of helping achieve these SDGs and are committed to reporting annually on our performance against these targets.



## Goal

7

AFFORDABLE AND CLEAN ENERGY

AFFORDABLE AND CLEAN ENERGY

Internal targets	Status in 2021
Maintain a safe and reliable electricity supply → <b>Maintain better than 99.999% reliability rating</b>	<b>Achieved</b> A supply reliability rating of >99.999% was achieved in 2021.
Gain access to diverse and cost-competitive liquefied natural gas (LNG) supplies worldwide to alleviate considerable pressure on tariffs due to increased consumption of natural gas → <b>Commission the offshore LNG terminal in 2022</b>	<b>Construction work in progress</b> Offshore installation of all nine supporting jackets and part of the Terminal topside structures had been completed.
Provide subsidies to underprivileged households for adopting energy-efficient electrical appliances → <b>Subsidise 4,000 households by 2023</b>	<b>In progress</b> 2,384 households had received subsidies as at the end of 2021.
Increase the use of renewable energy (RE) → <b>Increase the aggregate electricity generated from RE sources of HK Electric and its customers to over 6 GWh/year by 2023</b>	<b>In progress</b> Aggregate electricity generated from RE sources of HK Electric and its customers was ~5.8 GWh in 2021.
Provide free energy audits for non-residential customers and subsidies to building owners for implementing energy efficiency enhancement projects → <b>Complete 1,000 audits and subsidise 500 buildings by 2023</b>	<b>In progress</b> 630 audits had been completed and subsidies had been approved for 324 buildings as at the end of 2021.

## Goal

**9** INDUSTRY, INNOVATION  
AND INFRASTRUCTUREINDUSTRY,  
INNOVATION AND  
INFRASTRUCTURE

### Internal targets

Enhance asset integrity (in the face of climate change)  
→ **Complete enhancement of anti-flooding facilities for low-lying substations within 100 m of the northern coastal line of Hong Kong Island by 2021**

Deploy smart meters  
→ **Complete full-scale deployment by 2025**

### Status in 2021

#### Achieved

A total of 168 substations had been retrofitted with anti-flooding systems.

#### In progress

The roll-out of smart meters was ~20% complete as at the end of 2021.

## Goal

**13** CLIMATE  
ACTIONCLIMATE  
ACTION

### Internal targets

Replace coal-fired units with gas-fired units  
→ **Commission three new gas-fired units, L10, L11 and L12, in 2020, 2022 and 2023, respectively**



Reduce carbon emissions per electricity unit sold  
→ **Ensure yearly average emissions do not exceed 0.6 kg of CO<sub>2</sub>e per kWh by 2023**

Engage stakeholders on combating climate change and adopting low-carbon lifestyle  
→ **Organise 1,000 education and promotion activities by 2023**

### Status in 2021

#### In progress

L10 was commissioned in February 2020, while commissioning of L11 and construction of L12 were in progress as at the end 2021.

Synchronisation of L11 to the grid was achieved in November 2021. Commercial operation of the unit will commence in May 2022.

Civil construction of the Main Station Building for L12 had been substantially completed. Erection of plant equipment had also commenced.

#### In progress

Average emissions amounted to ~0.71 kg of CO<sub>2</sub>e per kWh in 2021.

#### In progress

741 activities had been organised as at the end of 2021.