



## A Word from our CEO



*The work ahead will be arduous, but combating climate change by achieving carbon neutrality is integral to Hong Kong's sustainable development. We are mapping out our plan and maintaining a close dialogue with the Government and other stakeholders to determine the most efficient and effective ways to implement it.*





At HKEI, we are striding on together towards a better future. Our main operating company, HK Electric, has contributed immeasurably to the economic and social development of Hong Kong for over 130 years. In the face of challenges arising from COVID-19 and the imminent threat of climate change, we are as committed as ever to serving our city with excellence, care, integrity, respect and trust.

The global pandemic continues to cause severe disruption to daily life and the economy here in Hong Kong as elsewhere. During these difficult times, we are focused on doing our best for the community. In 2021, HK Electric demonstrated extraordinary resilience by achieving a supply reliability rating in excess of 99.9999% for the second year in a row. This is another record for our business and an outstanding performance in the international arena of our industry.

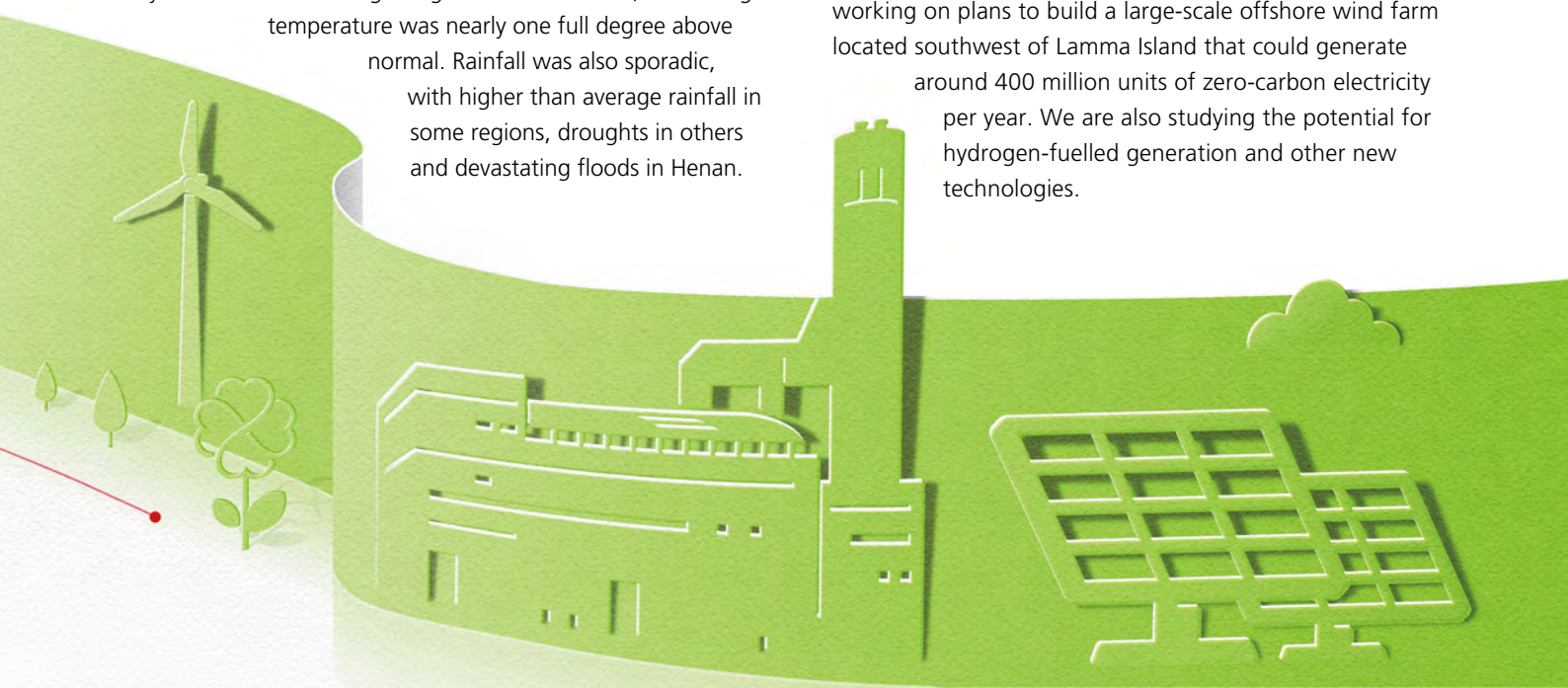
Over the past year, the world has continued to experience the harmful effects of climate change. 2021 was the warmest year on record in Hong Kong. Across the nation, the average temperature was nearly one full degree above normal. Rainfall was also sporadic, with higher than average rainfall in some regions, droughts in others and devastating floods in Henan.

To help accelerate action towards the goals of the Paris Agreement, the HKSAR Government published Hong Kong's Climate Action Plan 2050. This brings together our city's overall strategies, targets and actions to achieve carbon neutrality.

## Working Together for a Sustainable Future

HKEI welcomes the Government's decision to pursue net-zero carbon emissions from electricity generation before 2050, including its medium-term target to transition away from coal-fired power by 2035. In November, we took another major step towards decarbonising our own operations following the synchronisation of L11 — the second new gas-fired unit to be completed under our 2019-2023 Development Plan. Meanwhile, the offshore liquefied natural gas terminal that we are developing with CLP Power is scheduled for completion in 2022 and another gas-fired unit — L12 — is due to be commissioned in 2023. This means we are on track to further increase the total power output from natural gas in 2023, targeting to reduce the carbon intensity of Lamma Power Station to not higher than 0.6 kg CO<sub>2</sub>e per kWh of electricity sold.

Moving forward, we will strive to achieve the Government's sustainability agenda and will coordinate closely with policy makers, technology providers, investors, customers and the public at large. For our part, HK Electric is already working on plans to build a large-scale offshore wind farm located southwest of Lamma Island that could generate around 400 million units of zero-carbon electricity per year. We are also studying the potential for hydrogen-fuelled generation and other new technologies.





## Keeping Each Other Safe and Well

At HK Electric, people's safety and wellbeing always comes first. We adopt a holistic management approach founded on proactive stakeholder engagement. In recognition of our commitment to best practices and achievements, we have been invited by the Occupational Safety and Health (OSH) Council alongside nine other outstanding OSH enterprises to form its first group of "OSH Strategic Partners".

We conduct regular company-wide Safety Climate Index surveys to evaluate our safety culture. The results in 2021 indicate overall improvement in employee perceptions of OSH despite challenges posed by the COVID-19 pandemic. Since February 2020, our response to the public health situation has remained at Emergency-level. In 2021, we introduced a range of measures to encourage our employees to receive COVID-19 vaccinations, including group bookings at community vaccination centres, an outreach programme at Lamma Power Station, vaccination leave and gift coupons. All of our employees have been vaccinated against COVID-19 except those who are medically exempt or those with special reasons, such as pregnancy.

## Investing and Innovating for Better Outcomes

We ensure the robustness of our power system through strategic investments that maintain, upgrade and improve our equipment, technologies and processes. We are also committed to helping transform Hong Kong into a world-class Smart City by rolling out Advanced Metering Infrastructure. During the year, we achieved our interim target of deploying more than 120,000 smart meters on our customers' premises and introduced new digital services, including the HK Electric App, to help our customers optimise their energy use and to enhance customer experience.

Innovation is essential for sustainable development of our business in a rapidly changing world. In 2021, we launched the HK Electric Innovation Award to recognise colleagues who help us achieve our business objectives more quickly and cost-effectively, giving rise to better quality outcomes. We know that our culture of innovation depends upon the knowledge, experience, hard work and professionalism of our team. As part of our strategy to attract and retain the highest quality talent, we are inspiring young people to pursue careers in Science, Technology, Engineering and Maths (STEM).

## Making Greener and Better Choices Together

HK Electric has received several accolades for the success of our Smart Power Services in promoting local renewable energy and energy efficiency and conservation initiatives, including the Gold Award and Outstanding Impact Award at the SDG Achievement Awards Hong Kong 2021 organised by the Green Council. Each year, we allocate \$5 million to educate the public about green technologies and sustainable lifestyle choices through our Smart Power Education Fund. In 2021, the Happy Green Campaign adopted a new theme entitled "Decarbonisation: Our New Mission". The goal is to inspire young people to help Hong Kong fulfil its pledge of carbon neutrality by 2050.

We have updated our Environmental Policy to provide more detailed guidance on working with external stakeholders to promote environmental stewardship. One good example of this policy in action is what we have done to introduce new technologies and techniques for reducing carbon emissions



on construction sites, including our own sites at Lamma Power Station Extension. During the year, we launched a new “Smart Power for Construction Site” service to assist customers with all electricity-related matters throughout the life cycle of their construction projects, including advice on renewable energy, energy efficiency and electric vehicle charging solutions.

### Looking Out for Those in Need

HK Electric is mindful of the difficulties experienced by people who are most at risk in our society. In 2021, we expanded the scope of our relief measures to help alleviate the impact of economic downturn and reduced availability of social services during the pandemic. Together with the distribution of dining coupons, these measures have directly benefited more than 300 small and medium businesses and 40,000 underprivileged families. In November, we announced that an upsurge in global fuel prices will result in a higher Fuel Clause Charge for 2022, leading to a 7% increase in our Net Tariff. We understand this will create additional hardship for people who are already suffering, so we have set aside \$63 million from three existing funds to provide support and promote energy efficiency.



The HK Electric Volunteers team continues to reach out to the community. Following stringent social distancing measures, we have deployed our energy and creativity into enhancing digital-based services for elders-in-need. We have extended our reach via social media and expanded our “CAREnJOY Non-stop” initiative, which provides useful tips about energy saving, good health and dementia prevention via mobile phone.



### Soldiering on to Build a Better Future for our City

In March 2021, HK Electric and the Conservancy Association launched a new eco-heritage route called “The Eastern Sparkle” under our joint project known as “Green Hong Kong Green”. The new walking route captures unique cultural, historical and ecological features of North Point on the eastern side of Hong Kong Island. This area was once a hub of entertainment and leisure, and home to the former North Point Power Station that was owned and operated by HK Electric in the mid-20<sup>th</sup> century.

“The Eastern Sparkle” is special because it is not only rich in our city’s unique history and culture, but also showcases our wonderfully resilient natural resources, like the swallows nesting under the eaves on Chun Yeung Street and egrets foraging in the shelter of stonewall trees at North Point Pier. If we pay attention, walking along this route will remind us how urbanisation and ecology can be in harmony. For me, this is a symbolic image of the hope and appreciation I wish to convey about our city as I conclude this message.

Let’s soldier on together to build a better future. Thank you for your continued support.

**Wan Chi-tin**  
Chief Executive Officer  
March 2022