

# Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the “Group”) as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles and practices that emphasise a quality board of Directors (the “Board”), effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2020 with all code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), other than those in respect of the separate roles of Chairman and Group Co-Managing Directors, and prior to 26 November 2020, the composition of the Nomination Committee as explained below in this report. Since 26 November 2020, the Nomination Committee comprising a majority of Independent Non-executive Directors and chaired by an Independent Non-executive Director has been in full compliance with the code provisions of the CG Code.

## THE BOARD

### Corporate Strategy

The principal objective of the Company is to enhance long-term total return for all its stakeholders. To achieve this objective, the Group focuses on achieving recurring and sustainable earnings, cash flow and dividend growth without compromising the Group’s financial strength and stability. The Group executes disciplined management of revenue growth, margin and costs, capital and investments to return ratio targets, earnings and cash flow accretive merger and acquisition activities, as well as organic growth in sectors or geographies where the Group has strong management experience and resources. Technology transformation also remains a key initiative of the Group to capture new cost and revenue opportunities in all businesses. At the same time, the Group is committed to maintaining long-term investment grade ratings, preserving strong liquidity and flexibility, sustaining a long and balanced debt maturity profile and actively managing cash flow and working capital. The Group explores opportunities to enhance shareholders’ returns, which include potential telecom infrastructure divestures and solidifying strategic alliances with global technology partners. The Chairman’s Statement and the Operations Review contained in this annual report and the Operations Analysis which are posted on the Group’s website (<http://www.ckh.com.hk/en/ir/presentation.php>), include discussions and analyses of the Group’s performance, the basis on which the Group generates and preserves value in the longer term and delivers the Group’s objectives. Further information on the sustainability initiatives of the Group and its key relationships with stakeholders can also be found in the standalone sustainability report of the Group.

### Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing and guiding the strategic objectives of the Company and overseeing and monitoring managerial performance. Directors are charged with the task of promoting the long term success of the Company and making decisions in the best interests of the Company with due regard to sustainability considerations.

The Board, led by the Chairman, Mr Victor T K Li, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company (“Management”). Management is responsible for the day-to-day operations of the Group under the leadership of the Group Co-Managing Directors.

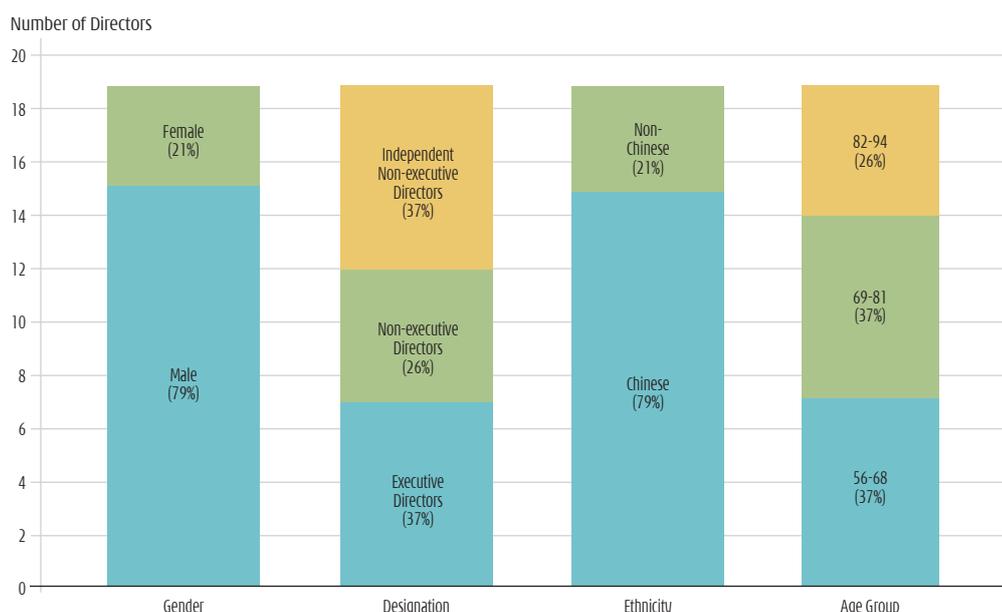
### Board Composition

The Board currently comprises 19 Directors, including the Chairman and Group Co-Managing Director, Group Co-Managing Director, Group Finance Director and Deputy Managing Director (“GFD/DMD”), three Deputy Managing Directors, one Executive Director, five Non-executive Directors and seven Independent Non-executive Directors. Throughout 2020, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

The following changes to the Board composition have taken place since the date of the last corporate governance report:

- 1) Mr Wong Chung Hin retired from his position as an Independent Non-executive Director and Mr Wong Kwai Lam was appointed as an Independent Non-executive Director, both with effect from 14 May 2020.
- 2) Mr William Shurniak, an Independent Non-executive Director, passed away on 9 August 2020.
- 3) Mr Paul Joseph Tighe was appointed as an Independent Non-executive Director, with effect from 28 December 2020.

The following chart shows the diversity profile of the Board as at 31 December 2020:



Biographical details of the Directors are set out in the section of “Information on Directors” on pages 76 to 81 and on the website of the Group. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Group and Hong Kong Exchanges and Clearing Limited (“HKEx”) ([www.hkexnews.hk](http://www.hkexnews.hk)).

### Chairman and Group Co-Managing Directors

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group. He is also responsible for ensuring that Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of other Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues to be deliberated at Board meetings and are provided with adequate and accurate information in a timely manner.

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board’s affairs so as to contribute to the Board’s effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to promote effective communication and ongoing engagement with shareholders and other stakeholders, as outlined later in this report.

## Corporate Governance Report

The Group Co-Managing Directors, assisted by other Executive Directors, are responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal managers of the Group's businesses, the Group Co-Managing Directors attend to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and are directly responsible for overseeing and delivering operational performance of the Group.

Working with the Executive Directors and the executive management team of each core business division, the Group Co-Managing Directors present annual budgets to the Board for consideration and approval, and ensure that the Board is fully apprised of the funding requirements of the Group. With the assistance of the GFD/DMD, the Group Co-Managing Directors ensure that the funding requirements of the businesses are met and monitor the operating and financial performance of the businesses against plans and budgets. The Group Co-Managing Directors maintain an ongoing dialogue with all Directors to keep them fully informed of all major business development and issues. In addition, they are also responsible for building and maintaining an effective executive team to support them in their roles.

The position of Managing Director of the Company has been jointly held by Mr Victor T K Li and Mr Fok Kin Ning, Canning as Group Co-Managing Directors since June 2015, and Mr Li also took on the position of Chairman in 2018. With the Group being a multinational conglomerate with diverse businesses in about 50 countries, Mr Li and Mr Fok in their position as Group Co-Managing Directors share responsibilities in the overall strategic direction and day-to-day management of the Group, with no single individual having unfettered management decision power. Further, the Board which comprises experienced and seasoned professionals continues to scrutinise material business matters and monitor performance of the Group to ensure that management function is effectively and properly exercised with balance of power and authority. The Audit Committee, Nomination Committee and Remuneration Committee, all chaired by an Independent non-executive Director, also provide strong independent oversight of the Management in their respective areas of responsibilities and expertise. Hence, the current arrangements provide checks and balances without jeopardising the independent exercise of powers of the Chairman and the Group Co-Managing Directors.

### Board Process

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance and business activities of the Group. Throughout the year, in addition to physical Board meetings, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to Directors as appropriate. Whenever warranted, additional Board meetings are held. Further, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary and they are at liberty to propose appropriate matters for inclusion in Board agendas.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and a draft agenda for review and comment about three weeks prior thereto. The full set of Board papers is supplied no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company and the Listing Rules, a Director would abstain from voting on resolutions approving any contract, transaction or arrangement in which he/she or any of his/her close associates is materially interested, and such Director is not counted for quorum determination purposes.

In 2020, the Company held four Board meetings with overall attendance of approximately 97%. All Directors attended the annual general meeting of the Company held on 14 May 2020 (the "2020 AGM") and the extraordinary general meeting of the Company held on 18 December 2020 (the "EGM") except for (i) one Independent Non-executive Director who was not able to attend the board meeting and the 2020 AGM held on the same day due to other prior business commitment; and (ii) another Independent Non-executive Director who was not able to attend one board meeting due to illness. The attendance record is set out below:

Directors	Board Meetings Attended/ Eligible to Attend	Attendance at 2020 AGM	Attendance at EGM
<b>Chairman</b>			
Victor T K Li <sup>(1)</sup> (Group Co-Managing Director)	4/4	√	√
<b>Executive Directors</b>			
Fok Kin Ning, Canning (Group Co-Managing Director)	4/4	√	√
Frank John Sixt (Group Finance Director and Deputy Managing Director)	4/4	√	√
Ip Tak Chuen, Edmond (Deputy Managing Director)	4/4	√	√
Kam Hing Lam <sup>(1)</sup> (Deputy Managing Director)	4/4	√	√
Lai Kai Ming, Dominic (Deputy Managing Director)	4/4	√	√
Edith Shih	4/4	√	√
<b>Non-executive Directors</b>			
Chow Kun Chee, Roland <sup>(2)</sup>	4/4	√	√
Chow Woo Mo Fong, Susan	4/4	√	√
Lee Yeh Kwong, Charles	4/4	√	√
Leung Siu Hon <sup>(2)</sup>	4/4	√	√
George Colin Magnus	4/4	√	√
<b>Independent Non-executive Directors</b>			
Kwok Tun-li, Stanley	4/4	√	√
Cheng Hoi Chuen, Vincent	4/4	√	√
Michael David Kadoorie	3/4	–	√
Lee Wai Mun, Rose	4/4	√	√
William Shurniak <sup>(3)</sup>	2/3	√	N/A
Paul Joseph Tighe <sup>(4)</sup>	N/A	N/A	N/A
Wong Chung Hin <sup>(5)</sup>	2/2	√	N/A
Wong Kwai Lam <sup>(6)</sup>	2/2	N/A	√
Wong Yick-ming, Rosanna	4/4	√	√

Notes:

- (1) Mr Victor T K Li is a nephew of Mr Kam Hing Lam.
- (2) Mr Chow Kun Chee, Roland is a cousin of Mr Leung Siu Hon.
- (3) Passed away on 9 August 2020.
- (4) Appointed on 28 December 2020.
- (5) Retired on 14 May 2020.
- (6) Appointed on 14 May 2020.

In addition to Board meetings, in 2020 the Chairman held monthly meetings with the Executive Directors and also met with the Independent Non-executive Directors twice without the presence of other Directors. Such meetings provide an effective forum for the Chairman to listen to the views of the Independent Non-executive Directors on issues including corporate governance improvement, effectiveness of the Board, and such other issues they may wish to raise in the absence of other Directors and senior management of the Company.

All Non-executive Directors entered into service contracts for an initial term ending on 31 December of the year of appointment. Thereafter, such contracts are automatically renewed for successive 12-month periods. All Directors are subject to re-election by shareholders at general meetings at least once every three years on a rotation basis. A retiring Director is eligible for re-election, and the re-election of retiring Directors at general meetings is presented in separate resolutions. Further, no Director has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## Corporate Governance Report

### Training and Commitment

Upon appointment to the Board, Directors receive a package of comprehensive orientation materials on the Group comprising information on the Group, duties as a director and board committee member, as well as internal governance policies of the Group. These orientation materials are presented to the Directors by senior executives in the form of a detailed induction to the Group's businesses, strategic direction and governance practice.

The Company arranges and provides Continuous Professional Development ("CPD") training such as seminars, webcasts and relevant reading materials to Directors to help them to keep abreast of current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, CPD may take the form of attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics. CPD training of approximately 33 hours had been provided to Directors during the year.

The Directors are required to provide the Company with details of CPD training undertaken by them from time to time. The training records are maintained by the Company Secretary and are made available for regular review by the Audit Committee. Based on the details so provided, the CPD training undertaken by the Directors during the year is summarised as follows, representing an average of approximately 15 hours undertaken by each Director during the year:

Directors	Areas			
	Legal and Regulatory	Corporate Governance/ Sustainability Practices	Financial Reporting/ Risk Management	Group's Businesses/ Directors' Duties
<b>Chairman</b>				
Victor T K Li ( <i>Group Co-Managing Director</i> )	√	√	√	√
<b>Executive Directors</b>				
Fok Kin Ning, Canning ( <i>Group Co-Managing Director</i> )	√	√	√	√
Frank John Sixt ( <i>Group Finance Director and Deputy Managing Director</i> )	√	√	√	√
Ip Tak Chuen, Edmond ( <i>Deputy Managing Director</i> )	√	√	√	√
Kam Hing Lam ( <i>Deputy Managing Director</i> )	√	√	√	√
Lai Kai Ming, Dominic ( <i>Deputy Managing Director</i> )	√	√	√	√
Edith Shih	√	√	√	√
<b>Non-executive Directors</b>				
Chow Kun Chee, Roland	√	√	√	√
Chow Woo Mo Fong, Susan	√	√	√	√
Lee Yeh Kwong, Charles	√	√	√	√
Leung Siu Hon	√	√	√	√
George Colin Magnus	√	√	√	√
<b>Independent Non-executive Directors</b>				
Kwok Tun-li, Stanley	√	√	√	√
Cheng Hoi Chuen, Vincent	√	√	√	√
Michael David Kadoorie	√	√	√	√
Lee Wai Mun, Rose	√	√	√	√
William Shurniak <sup>(1)</sup>	–	–	–	–
Paul Joseph Tighe <sup>(2)</sup>	N/A	N/A	N/A	N/A
Wong Chung Hin <sup>(3)</sup>	√	√	√	√
Wong Kwai Lam <sup>(4)</sup>	√	√	√	√
Wong Yick-ming, Rosanna	√	√	√	√
<b>Alternate Director</b>				
William Elkin Mocatta ( <i>Alternate Director to Michael David Kadoorie</i> )	√	√	√	√

Notes:

- (1) Passed away on 9 August 2020.
- (2) Appointed on 28 December 2020.
- (3) Retired on 14 May 2020.
- (4) Appointed on 14 May 2020.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group for the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public listed companies and major appointments as well as update the Company on any subsequent changes.

## Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In summary, a Director who wishes to deal in the securities of the Company must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing prior to any dealings and obtain a dated written acknowledgement before any dealing. Any clearance to deal granted in response to a Director's request would be valid for no longer than five business days of clearance being received. After dealings, the Director must submit a disclosure of interests filing with respect to the dealing, within the time frame required under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

In response to specific enquiries made, all Directors have confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the year ended 31 December 2020.

## Board Committees

The Board is supported by four permanent board committees: Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee, details of which are described later in this report. The terms of reference for these Committees, which have been adopted by the Board, are available on the websites of the Group and HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

## COMPANY SECRETARY

The Company Secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and timely preparation of and dissemination to Directors comprehensive Board meeting papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient detail the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory, corporate governance and ESG developments of relevance to the Group and that it takes these developments into consideration when making decisions for the Group. From time to time, the Company Secretary organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-backs, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to shareholders and the market of information relating to the Group.

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Furthermore, the Company Secretary advises the Directors on connected transactions, notifiable transactions, price-sensitive/inside information, and Directors' obligations for disclosure of interests and dealings in the Group's securities, to ensure that the standards and disclosure requirements under the Listing Rules and applicable laws, rules and regulations are complied with and, where required, reported in the annual report of the Company.

The Company Secretary also serves as a crucial conduit of communications internally and externally. She facilitates information flow and communication among Directors and also conveys the Board's decisions to the Management from time to time and ensures a good channel of communication with shareholders. She also works with the Board and Management to assist in responding to regulators in a timely manner.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman and the Group Co-Managing Directors, all members of the Board have access to her advice and service. The Company Secretary of the Company has day-to-day knowledge of the Group's affairs. She confirms that she has complied with all the required qualifications, experience and training requirements under the Listing Rules.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year end.

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with, but distinguished from, the independent auditor's report on pages 123 to 127 which acknowledges the reporting responsibility of the Group's auditor.

### Annual Report and Financial Statements

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company. The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"). Directors should incorporate such internal control as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Accounting Policies

The Directors consider that in preparing the financial statements, the Group has adopted appropriate accounting policies and made judgements and estimates that are reasonable in accordance with the applicable accounting standards.

### Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position and reflect the transactions of the Group, upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

### Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

### Going Concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

## Audit Committee

The Audit Committee comprises three Independent Non-executive Directors who possess the relevant financial and business management experience and skills to understand financial statements and monitor the financial governance, internal controls and risk management of the Company. It is chaired by Mr Vincent Cheng with Mr Stanley Kwok and Mr Wong Kwai Lam (appointed on 14 May 2020) as members.

Mr Wong Chung Hin ceased to be Chairman of the Audit Committee upon his retirement from the Board on 14 May 2020 and Mr William Shurniak, formerly a member of the Audit Committee, passed away on 9 August 2020.

The Audit Committee held four meetings in 2020 with 100% attendance. All members attended the Audit Committee meetings held during 2020.

Members	Attended/Eligible to Attend
Cheng Hoi Chuen, Vincent <sup>(1)</sup> ( <i>Chairman</i> )	4/4
Kwok Tun-li, Stanley	4/4
William Shurniak <sup>(2)</sup>	4/4
Wong Chung Hin <sup>(3)</sup>	2/2
Wong Kwai Lam <sup>(4)</sup>	2/2

Notes:

- (1) Appointed as Chairman on 14 May 2020.
- (2) Passed away on 9 August 2020.
- (3) Ceased to be Chairman upon his retirement from the Board on 14 May 2020.
- (4) Appointed as member on 14 May 2020.

Under its terms of reference, the role of the Audit Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to take on any other responsibility as may be delegated by the Board from time to time. The Audit Committee is responsible for monitoring the integrity of the Group's interim and annual results, and interim and annual financial statements, reviewing the Group's risk management and internal control systems as well as overseeing the relationship between the Company and its external auditors. The Audit Committee is also required to develop and review the Company's policies and practices on corporate governance including compliance with statutory and Listing Rules requirements; and review the scope, extent and effectiveness of the activities of the Group's internal audit function. In addition, it is authorised to engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Throughout 2020, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code. The following paragraphs set out a summary of the work performed by the Audit Committee during 2020 and 2021 (up to the date of this report).

During 2020 and 2021 (up to the date of this report), the Audit Committee met with the GFD/DMD and other senior management of the Group to review the interim and annual results, the interim and annual reports and other financial, internal control, corporate governance and risk management matters of the Group. It received, considered and discussed the reports and presentations of Management, the Group's internal auditor and external auditor, PricewaterhouseCoopers ("PwC"), to ensure that the Group's 2019 and 2020 consolidated financial statements were prepared in accordance with HKFRS and comply with the applicable disclosure requirements of the Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It also met four times during 2020 and two times during 2021 (up to the date of this report) with the external auditor to consider their reports on the scope, strategy, progress and outcome of its independent review of the 2020 interim financial report and annual audit of the 2019 and 2020 consolidated financial statements. In addition, the Audit Committee held private sessions with the external auditor and GFD/DMD separately without the presence of Management.

To assist the Board in maintaining effective risk management and internal control systems, in 2020, the Audit Committee also reviewed the process by which the Group evaluated its control environment and managed significant risks identified. It received and considered the risk management report, the composite risk register, the risk heat map as well as the Management presentation on their review with respect to the effectiveness of the risk management and internal control systems of the Group. It also reviewed the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget.

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In addition, the Audit Committee reviewed, in conjunction with the Group's Internal Audit, the 2020 work plans and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal controls in the business operations of the Group. Further, it also considered the reports from the Group Legal Department ("GLD") on the Group's material litigation proceedings and compliance status on legal and regulatory requirements. These reviews and reports were taken into consideration by the Audit Committee when it made its recommendation to the Board for approval of the consolidated financial statements. During 2020, the Audit Committee also received periodic presentations on, and reviewed, the compliance status of the Group with respect to the CG Code as well as other corporate governance topics including the Group's policies and practices on compliance with legal and regulatory requirements, and ensured that any deviation from the CG Code was properly explained and disclosed in this report. It has also received update reports on CPD training of Directors.

### External Auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. Each year, the Audit Committee receives a letter from the external auditor confirming its independence and objectivity. It holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendation to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of its external auditors for the various services listed below is as follows:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.
- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, such as audits of the Group's pension plans, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that must be undertaken, or is otherwise best placed to undertake, by it in its capacity as auditor.
- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group engages the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services – include, amongst others, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the Group's internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 7 to the financial statements. For the year ended 31 December 2020, PwC fees, amounting to HK\$211 million were primarily for audit services and those for non-audit services (which included tax compliance and other tax services, and financial due diligence services) amounted to HK\$24 million, representing approximately 10% of the total PwC fees (audit and non-audit).

### Audit Report on the Annual Financial Statements

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2020 have been audited by PwC in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The unqualified auditor's report is set out on pages 123 to 127. The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2020 have also been reviewed by the Audit Committee.

## RISK MANAGEMENT, INTERNAL CONTROL AND LEGAL & REGULATORY COMPLIANCE

### Board Oversight

The Board has overall responsibility for the Group's systems of risk management, internal control and legal and regulatory compliance.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification, reporting and management of risks. The Board evaluates and determines the nature and extent of the risks (including ESG-related risks) that the Company is willing to accept in pursuit of the Group's strategic and business objectives. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. The reporting and review processes include the review by Executive Directors and the Board of budgets, strategic plans, and detailed operational and financial reports as provided by business unit management, as well as review by the Audit Committee of ongoing work of the Group's internal audit and risk management functions.

On behalf of the Board, the Audit Committee also regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfilment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by the Executive Director and Company Secretary, and comprising representatives from key departments of the Company, provides timely updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. The Competition, Regulatory and Public Affairs Group reviews, assesses, escalates and where appropriate, proposes handling measures on competition, regulatory and public affairs matters affecting business units. It meets regularly with business units to monitor compliance requirements and to formulate strategies and share information and expertise across jurisdictions and businesses. It also provides regular updates to the Governance Working Group.

The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the separate roles of Chairman and Group Co-Managing Directors, and prior to 26 November 2020, the composition of the Nomination Committee as explained in this report.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

### Risk Management

The Company adopts an Enterprise Risk Management framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Group, be they of strategic, financial, operational or compliance nature.

Risk management is an integral part of the day-to-day operations and management of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the Executive Directors and the executive management teams of each core business about the current and emerging risks, their plausible impact and mitigation measures. These measures include instituting additional controls and deploying appropriate insurance instruments to minimise or transfer the impact of risks to the Group's businesses. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business as well as discussions and reviews by the Executive Directors and the Board, through the Audit Committee. More specifically, on a half-yearly basis, each core business is required to formally identify and assess the significant risks their business faces, whilst the Executive Directors provide input after taking a holistic assessment of all the significant risks that the Group faces. In 2020, the Group has levelled up the assessment of material sustainability risks to ensure that the risks are being appropriately managed (please refer to the "Sustainability" section below for more details). Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite risk register together with the risk heat map, as confirmed by the Executive Directors, form part of the risk management report for review and approval by the Audit Committee on a half-yearly basis. The Audit Committee, on behalf of the Board, reviews the report and provides input as appropriate so as to ensure effective risk management in place. Pages 69 to 75 of this annual report provide a description of the Group's risk factors which could affect the Group's financial condition or results of operations that differ materially from expected or historical results.

## Corporate Governance Report

### Internal Control Environment

Group structures covering all subsidiaries, associated companies and joint ventures are maintained and updated on a timely and regular basis. Executive Directors are appointed to the boards of all material operating subsidiaries and associated companies for overseeing and monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and determination of business strategies with associated risks identified and key business performance targets set. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies, and similarly, management of each business is accountable for its conduct and performance. The Group Co-Managing Directors monitor the performance and review the risk profiles of the Group companies on an ongoing basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management teams and Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance directors and financial controllers of the executive management teams of each core business attend monthly meetings with the GFD/DMD and members of his finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its unlisted subsidiary operations. The Group's Treasury function oversees the Group's investment and lending activities and also evaluates and monitors financial and operational risks, and makes recommendations to Management to mitigate those risks. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed to the Management weekly.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specifically, material expenditures within the approved budget as well as unbudgeted expenditures are subject to approval by the GFD/DMD or an Executive Director prior to commitment. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The Group has also established treasury policies covering specific aspects, such as bank account control and procedures, monitoring and compliance control for loan covenants, approval and reporting process for derivatives and hedging transactions.

In terms of formal review of the Group's internal control system, an internal control self-assessment process is in place, that requires the executive management team and senior management of each core business to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the risk management report as mentioned earlier and the independent assessments by the auditors, form part of the bases on which the Audit Committee formulates its opinion on the effectiveness of the Group's risk management and internal control systems.

### Legal and Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The GLD has the responsibility of safeguarding the legal interests of the Group. The Group has in place a Policy on Legal Documentation Review, Reporting Procedures and Litigation Proceedings which is applicable to material legal matters across the entire Group worldwide, subject to variations that may be agreed between the GLD and an individual division from time to time.

In addition, the Group has established a Policy on Corporate Secretarial Practices which sets out the procedures for corporate secretarial compliance, including corporate authorisation for execution of documentation, preparation, approval and signing of minutes of Board and committee meetings and Board resolutions. In respect of any transaction which requires GLD clearance, Group Corporate Secretarial Department ("GCSD") will require confirmation of GLD clearance before it would arrange for the convening of Board meetings or the signing of Board resolutions. The GCSD is also responsible for regulatory filings and Listing Rules compliance.

The GLD team, led by the Head Group General Counsel, is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management on legal and commercial issues of concern. In addition, the GLD is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory frameworks within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting responses or filings with relevant regulatory and/or government authorities on regulatory issues and consultations.

GLD also prepares and updates internal policies and conducts tailor-made workshops where necessary so as to strengthen the internal controls and compliance procedures of the Group. It determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as the most cost effective services are rendered. Further, GLD organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for Directors, business executives and the Group legal and corporate secretarial teams.

On the listed companies level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Companies Ordinance, the SFO and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated and where their securities are listed and traded. The GLD is vigilant with the legal requirements under these statutes, rules and regulations which would have a material implication or impact on the Group.

## **Governance Policies**

The Group places utmost importance on the ethical, personal and professional standards of Directors and employees of the Group. It is committed to upholding high standards of business integrity, honesty and transparency in all its business dealings. The Group has adopted and implemented a number of governance policies imposing requirements on Directors and employees to conduct themselves in compliance with applicable laws, rules and regulations. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

Key governance policies and guidelines of the Group include:

### **Code of Conduct**

The Code of Conduct of the Group sets the standards for employees as are necessary to promote honest and ethical conduct, accurate and timely disclosure in the reports and documents that the Group files or submits to regulators, compliance with applicable laws and regulations, prompt internal reporting of violations and accountability for compliance with the Code of Conduct. Every employee is required to undertake to adhere to the Code of Conduct, which includes provisions dealing with conflict of interest, equal opportunities, diversity and a respectful workplace, health and safety, protection and proper use of company assets, record keeping, bribery and corruption, personal data protection and privacy as well as reporting procedures for illegal and unethical behaviour. It is also the Group's general policy not to make any form of donation to political associations or individual politicians. Approval from the Group Co-Managing Directors is required for any political contributions by the Group. Employees are required to report any non-compliance with the Code of Conduct in accordance with the established reporting and escalation procedures.

### **Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control**

In line with the commitment to achieve and maintain high standards of openness, probity and accountability, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company any suspected impropriety, misconduct or malpractice concerning the Group. In this regard, the Company has adopted the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control, which is posted on the website of the Group. The procedures aim to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system, including anonymity and legal protection against unfair dismissal or victimisation for any genuine reports made.

## Corporate Governance Report

### Anti-Fraud and Anti-Bribery Policy

In its business dealings, the Group does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Fraud and Anti-Bribery Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance where necessary. Each Group company is required to report any actual or suspected incident of bribery, corruption, theft, fraud or similar offences to the GFD/DMD and the General Manager of the Group's internal audit function ("Internal Audit GM") for independent analyses and necessary follow up (see page 113 of this report for more details).

### Policy on Appointment of Third Party Representatives

The Group is also committed to promoting anti-corruption practices amongst any third party representatives (such as advisers, agents, consultants, introducers and finders) it engages. All Group companies are required to exercise due care and diligence in selecting third party representatives and in monitoring their activities, and should adhere to the Group's Policy on Appointment of Third Party Representatives in this regard.

### Media, Public Engagement and Donation Policy

The Group places high value on its reputation in the communities and countries where it operates. Employees are required to observe the Media, Public Engagement and Donation Policy to ensure that the market receives timely and accurate information about the Group. The Group Corporate Affairs Department and subsidiary corporate communications/public relations departments are designated to help the Management provide clear, consistent and congruent messages for the Group's businesses through the media in a speedy, professional and well-coordinated manner.

### Shareholders Communication Policy

The Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The Shareholders Communication Policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

### Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information

With a view to ensuring that inside information is identified, handled and disseminated in compliance with the SFO, and proper internal control procedures are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations, the Group has implemented the Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information. The policy also adopts additional precautions which should be taken by employees who are in possession of inside information, including identification of project by code name and communication of information for stated purpose and on a need-to-know basis only. Whilst all employees are absolutely prohibited at all times from dealing in the securities of any listed entity within the Group when they are in possession of unpublished inside information, certain members of senior management or staff are subject to specific additional compliance requirements as are communicated to them individually from time to time (including but not limited to obtaining written pre-clearance from designated members of management prior to any dealing in any such securities is allowed). Further, certain staff members in the Group Finance Department are subject to a two-month blackout period prior to the release of the Company's annual results and a one-month blackout period prior to the release of interim results, while relevant staff in the GCSO and Group Corporate Affairs Department are subject to a two-week blackout period.

### Policy on Personal Data Governance

The Group is also committed to the safeguard and protection of the personal data of its customers and employees. Employees must only collect and use personal data in accordance with applicable data protection laws, as well as the Policy on Personal Data Governance and the applicable local policies and procedures.

### Information Security Policy

Employees must not disclose any confidential information of the Group, its customers, suppliers, business partners or shareholders, except when disclosure is authorised by the Group in accordance with the Information Security Policy which defines the common policies for information confidentiality, integrity and availability to be applied across the entire Group.

Employees are required to make a self-declaration every year to confirm that he/she has read, understood and will continue to comply with the various Group policies.

### **Board Diversity Policy and Director Nomination Policy**

The two Board policies, Board Diversity Policy and Director Nomination Policy adopted by the Board in February 2015 and January 2019, respectively were updated in November 2020. These two policies set out the approach and procedures the Board adopts for the nomination and selection of Directors as well as the approach to achieving diversity. Further details of the policies are provided on page 114 of this report.

### **Internal Audit**

The Internal Audit GM, reporting directly to the Audit Committee and also to the GFD/DMD, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. It has wide authority to access to documents, records, properties and personnel of the Group. By applying risk assessment methodology and considering the dynamics of the Group's activities, internal audit devises its three-year risk-based audit plan for review by the Audit Committee. The audit plan is subject to continuous reassessment taking into account external and internal factors such as macro economic and regulatory changes, business and operational changes, as well as audit and fraud findings which may affect the risk profile of the Group during the year.

Internal audit is responsible for assessing the Group's risk management and internal control systems, including reviewing the continuing connected transactions of the Company (refer to pages 96 and 97 of this annual report for more details), formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the GFD/DMD and the senior management concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the Group's external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial, IT, operations, business ethics, governance policy and regulatory compliance reviews, recurring and surprise audits, as well as productivity efficiency reviews.

The internal audit function is also responsible for periodic fraud analyses and independent investigations. In accordance with the Group's Code of Conduct and Anti-Fraud and Anti-Bribery Policy, each core business derives its own set of escalation procedures to cater for its operational needs, and is required to report to the GFD/DMD and the Internal Audit GM any actual or suspected fraudulent activities within a 24-hour timeframe should the amount involved exceeds the de minimis threshold as agreed between the GFD/DMD and the executive management team of each core business. In addition, each core business submits a summary of fraud incidents statistics to the GFD/DMD and the Internal Audit GM on a quarterly basis. These cases, together with those escalated through the whistleblowing channels, are recorded in the Company's centralised fraud incidents register under the custody of the Internal Audit GM, and are independently assessed and investigated as appropriate. The Internal Audit GM would promptly escalate any incidents of a material nature to the Chairman of the Audit Committee for his direction. Also, a summary of the fraud incidents and relevant statistics (including results of independent investigations and actions taken) is presented to the Audit Committee and the Executive Directors on a quarterly basis.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the Internal Audit GM and, as appropriate, to the GFD/DMD and the finance director or financial controller of the relevant executive management team. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2020 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

## **NOMINATION OF DIRECTORS**

### **Nomination Committee**

The current Nomination Committee, chaired by Dr Rosanna Wong, an Independent Non-executive Director and with the Chairman Mr Victor T K Li and Independent Non-executive Director Mr Vincent Cheng as members, is in full compliance with the code provisions of the CG Code. Prior to 26 November 2020, the Nomination Committee comprised all Directors as members with ad hoc sub-committee, comprising a majority of Independent Non-executive Directors and in compliance with the code provision requirements under the CG Code for a nomination committee, established to facilitate the selection and nomination process.

## Corporate Governance Report

The responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills set of members of the Board against its needs and make recommendation on the composition of the Board to achieve the Group's corporate strategy as well as promote shareholder value. It identifies suitable director candidates and selects or makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules and reviews the Director Nomination Policy and the Board Diversity Policy periodically and makes recommendation on any proposed revisions to the Board.

### Nomination Process

The nomination process has been, and will continue to be, conducted in accordance with the Director Nomination Policy and the Board Diversity Policy, which are available on the website of the Group. The Board will from time to time review these policies and monitor their implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Board candidates are selected based on merit and the contribution such candidate can bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Group and the benefits of various aspects of diversity, including gender, age, culture, ethnicity, educational background, professional experience and other factors that the Nomination Committee may consider relevant from time to time towards achieving a diversified Board.

In the determination of the suitability of a candidate, the Nomination Committee will have due regard to the benefits of various aspects of diversity in accordance with the Board Diversity Policy. If the Board determines that an additional or replacement Director is required, the Nomination Committee will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms. Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election. A circular containing the requisite information on retiring Directors will be sent to shareholders prior to the general meeting at which such Directors are to be proposed for re-election, in accordance with the Listing Rules.

Shareholders of the Company may also nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association of the Company and applicable laws and regulations. The procedures for such proposal are posted on the website of the Group.

The Nomination Committee held two meetings in 2020 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Yick-ming, Rosanna <sup>(1)</sup> ( <i>Chairman</i> )	2/2
Victor T K Li <sup>(2)</sup>	2/2
Fok Kin Ning, Canning <sup>(3)</sup>	1/1
Frank John Sixt <sup>(3)</sup>	1/1
Ip Tak Chuen, Edmond <sup>(3)</sup>	1/1
Kam Hing Lam <sup>(3)</sup>	1/1
Lai Kai Ming, Dominic <sup>(3)</sup>	1/1
Edith Shih <sup>(3)</sup>	1/1
Chow Kun Chee, Roland <sup>(3)</sup>	1/1
Chow Woo Mo Fong, Susan <sup>(3)</sup>	1/1
Lee Yeh Kwong, Charles <sup>(3)</sup>	1/1
Leung Siu Hon <sup>(3)</sup>	1/1
George Colin Magnus <sup>(3)</sup>	1/1
Kwok Tun-li, Stanley <sup>(3)</sup>	1/1
Cheng Hoi Chuen, Vincent	2/2
Michael David Kadoorie <sup>(3)</sup>	1/1
Lee Wai Mun, Rose <sup>(3)</sup>	1/1
William Shurniak <sup>(4)</sup>	1/1
Wong Chung Hin <sup>(5)</sup>	1/1
Wong Kwai Lam <sup>(6)</sup>	N/A

Notes:

- (1) Appointed as Chairman on 26 November 2020.
- (2) Ceased to be Chairman on 26 November 2020.
- (3) Ceased to be member on 26 November 2020.
- (4) Passed away on 9 August 2020.
- (5) Retired as Director on 14 May 2020 and ceased to be member on the same date.
- (6) Appointed as member on 14 May 2020.

The sub-committee of the Nomination Committee held one meeting in 2020 with 100% attendance.

<b>Members</b>	<b>Attended/Eligible to Attend</b>
Victor T K Li ( <i>Chairman</i> )	1/1
Cheng Hoi Chuen, Vincent	1/1
Wong Yick-ming, Rosanna	1/1

During 2020, the Nomination Committee reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board, ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors.

The Nomination Committee also assessed the independence of all the Independent Non-executive Directors and considered all of them to be independent having regard to the annual independence confirmation provided by the Independent Non-executive Directors, the assessment of the Nomination Committee of their independence with reference to the independence criteria set out in Rule 3.13 of the Listing Rules; and in particular, considered that the Independent Non-Executive Directors continue to provide a balanced and independent view to the Board and play a leading role in the Board committees and bring independent and external dimension as well as constructive and informed comments on issues of the Group's strategy, policy, performance, accountability, resources, key appointments and standards of conduct. None of the Independent Non-executive Directors have any involvement in the daily management of the Company, or any financial or other interests or relationships in the business of the Company. In addition, there are no circumstances which would materially interfere with their exercise of independent judgment.

In connection with the re-election of Directors at the 2020 AGM, a sub-committee of the Nomination Committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Vincent Cheng and Dr Rosanna Wong, was established to facilitate the Nomination Committee in the nomination process described above.

Further, in 2020, the Nomination Committee also determined the re-election of Mr Wong Kwai Lam at the EGM and the appointment of a new Independent Non-executive Director, Mr Paul Tighe. All appointments to the Board were subject to rigorous and transparent nomination process as described above to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

In February 2021, the Nomination Committee reviewed again the structure, skills set, expertise and competencies of members of the Board, affirmed the independence of the Independent Non-executive Directors, deliberated and selected Directors for retirement and re-election at the 2021 annual general meeting and recommended to the Board for consideration.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

#### Remuneration Committee

The Remuneration Committee comprises four members with expertise in human resources and personnel emoluments. The Remuneration Committee is chaired by Dr Rosanna Wong, an Independent Non-executive Director, with the Chairman Mr Victor T K Li, and two other Independent Non-executive Directors Mr Vincent Cheng and Mr Wong Kwai Lam (who was appointed following the retirement of Mr Wong Chung Hin on 14 May 2020), as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence under the Listing Rules. The Remuneration Committee meets towards the end of each year to determine the remuneration package of Directors and senior management of the Group. Remuneration matters are also considered and approved by way of written resolutions and where warranted, at additional meetings.

The Remuneration Committee held one meeting in 2020 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Yick-ming, Rosanna ( <i>Chairman</i> )	1/1
Victor T K Li	1/1
Cheng Hoi Chuen, Vincent	1/1
Wong Chung Hin <sup>(1)</sup>	N/A
Wong Kwai Lam <sup>(2)</sup>	1/1

Notes:

(1) Retired as Director on 14 May 2020 and ceased to be member on the same date.

(2) Appointed as member on 14 May 2020.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating a broader and more diverse pool of employees of the highest calibre and experience needed to shape and execute the strategy across the Group's substantial, diverse and international business operations. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the Group's business activities and human resources issues, and headcount and staff costs. It also reviewed and approved the proposed 2021 directors' fees for Executive Directors and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Remuneration Committee reviewed and approved the year end bonus and 2021 remuneration package of Executive Directors, subsidiaries' managing directors and senior executives of the Group. No Director or any of his/her associates is involved in deciding his/her own remuneration.

#### Remuneration Policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Executive Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

## 2020 Remuneration

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. Details of emoluments paid to each Director in 2020 are set out below:

Name of directors	Director's Fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
Victor T K LI <sup>(1)(2)</sup>						
<i>Paid by the Company</i>	0.28	4.89	55.21	–	–	60.38
<i>Paid by CK Infrastructure Holdings Limited ("CKI")</i>	0.10	–	25.93	–	–	26.03
	0.38	4.89	81.14	–	–	86.41
FOK Kin Ning, Canning <sup>(3)</sup>	0.22	11.56	153.22	1.04	–	166.04
Frank John SIXT <sup>(3)(4)</sup>	0.25	8.66	99.96	0.75	–	109.62
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	7.85	–	–	9.69
<i>Paid by CKI</i>	0.08	1.80	10.26	–	–	12.14
	0.30	3.42	18.11	–	–	21.83
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	7.30	–	–	9.94
<i>Paid by CKI</i>	0.08	4.20	9.42	–	–	13.70
	0.30	6.62	16.72	–	–	23.64
LAI Kai Ming, Dominic <sup>(3)</sup>	0.22	5.94	50.25	0.48	–	56.89
Edith SHIH <sup>(3)(4)</sup>	0.25	4.58	14.25	0.33	–	19.41
CHOW Kun Chee, Roland <sup>(5)</sup>	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan <sup>(5)</sup>	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles <sup>(5)</sup>	0.22	–	–	–	–	0.22
LEUNG Siu Hon <sup>(5)</sup>	0.22	–	–	–	–	0.22
George Colin MAGNUS <sup>(5)</sup>						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley <sup>(6)(7)</sup>	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent <sup>(1)(2)(6)(7)</sup>	0.41	–	–	–	–	0.41
Michael David KADOORIE <sup>(6)</sup>	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose <sup>(6)</sup>	0.22	–	–	–	–	0.22
William SHURNIAK <sup>(6)(8)</sup>	0.21	–	–	–	–	0.21
Paul Joseph TIGHE <sup>(6)(9)</sup>	–	–	–	–	–	–
WONG Chung Hin <sup>(6)(10)</sup>	0.15	–	–	–	–	0.15
WONG Kwai Lam <sup>(2)(6)(7)(11)</sup>	0.26	–	–	–	–	0.26
WONG Yick-ming, Rosanna <sup>(1)(2)(4)(6)</sup>	0.32	–	–	–	–	0.32
Total:	5.24	45.67	433.65	2.60	–	487.16

## Corporate Governance Report

### Notes:

- (1) Member of the Nomination Committee. All Directors were members of the Nomination Committee until 25 November 2020. Following the change of composition of the Nomination Committee on 26 November 2020, the Nomination Committee comprises Dr Wong Yick-ming, Rosanna (Chairman of the Nomination Committee), Mr Victor T K Li and Mr Cheng Hoi Chuen, Vincent.
- (2) Member of the Remuneration Committee.
- (3) Directors' fees to these Directors from the Company's listed subsidiaries during the period they served as directors have been paid to the Company and are not included in the amounts above.
- (4) Member of the Sustainability Committee.
- (5) Non-executive Director.
- (6) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK\$2.14 million (2019 – HK\$2.24 million).
- (7) Member of the Audit Committee.
- (8) Former member of the Audit Committee and Nomination Committee. Passed away on 9 August 2020.
- (9) Appointed on 28 December 2020. The amount of director's fee shown above is a result of rounding.
- (10) Former member of the Audit Committee, Nomination Committee and Remuneration Committee. Retired on 14 May 2020.
- (11) Appointed on 14 May 2020.

The remuneration paid to the members of senior management by bands during the year is set out below:

Remuneration Bands*	Number of Individuals
HK\$15 million to HK\$19 million	3
HK\$20 million to HK\$24 million	3
HK\$55 million to HK\$59 million	1

\* Rounding to the nearest million.

## RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Group actively promotes investor relations and communication with the investment community throughout the year. Through its Executive Directors, the Group Corporate Affairs Department, Group Investor Relations Department and the GCSD, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. In 2020, about 280 meetings were held with institutional investors and analysts. The Shareholder Communication Policy, which is available on the Group's website, was adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board adopted a Dividend Policy for the Company and is committed to maintaining an optimal capital structure and investment grade credit ratings. The policy is pursued to deliver returns to shareholders whilst ensuring that adequate capital resources are available for business growth and investment opportunities. Subject to business conditions, market opportunities and maintenance of the Company's strong investment grade credit ratings, the Board aims to deliver a sustainable dividend that is in line with earnings improvement and long-term growth of the Company.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. The Memorandum and Articles of Association of the Company is published on the websites of the Group and HKEx. Moreover, additional information on the Group is also available to shareholders and stakeholders through the Investor Relations page on the Group's website.

Annual general meetings and other general meetings of the Company provide one of the primary forums for communication with shareholders and for shareholder participation. Such meetings provide shareholders with the opportunity to share their views and to meet the Board and certain members of senior management. Question and answer sessions at general meetings foster constructive dialogues between shareholders of the Company, Board members and management.

Shareholders are encouraged to participate at general meetings of the Company physically, through electronic means, or by proxy if they are unable to attend in person. Pursuant to the Articles of Association of the Company, any two or more shareholders (or one shareholder which is a recognised clearing house, or its nominee(s)) holding not less than one-tenth of the paid up share capital of the Company, carrying the right of voting at general meetings of the Company, have rights to call for general meetings and to put forward agenda items for consideration by shareholders, by depositing at the principal office of the Company in Hong Kong a written requisition for such general meetings, signed by the shareholders concerned together with the objects of the meeting. The Board would within 21 days from the date of deposit of requisition convene the meeting to be held within a further 21 days.

All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Group's Hong Kong Share Registrar. The results of the poll are published on the websites of the Group and HKEx. In addition, regular updated financial, business and other information on the Group are made available to the shareholders and stakeholders on the Group's website.

The Company held two shareholders' meetings in 2020, being the 2020 AGM held on 14 May 2020 at Harbour Grand Kowloon and the EGM held on 18 December 2020 as a hybrid meeting at which shareholders attended both physically and by electronic facilities respectively. The 2020 AGM was attended by all of the Directors (other than one Independent Non-executive Director who was not able to attend due to other prior business commitment) and the external auditor while the EGM was attended by all of the Directors. The respective chairmen of the Board, Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee (where applicable) were all present at the 2020 AGM and the EGM. Directors are requested and encouraged to attend shareholders' meetings.

Separate resolutions were proposed at the 2020 AGM and the EGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 14 May 2020 and 18 December 2020 are set out below:

<b>Resolutions proposed at the 2020 AGM</b>	<b>Percentage of Votes</b>
<b>Ordinary Resolutions</b>	
1 Adoption of the audited Financial Statements, the Reports of the Directors and the Independent Auditor for the year ended 31 December 2019	99.99%
2 Declaration of a final dividend	100%
3(a) Re-election of Mr Fok Kin Ning, Canning as a Director	90.81%
3(b) Re-election of Mr Kam Hing Lam as a Director	68.20%
3(c) Re-election of Ms Edith Shih as a Director	69.68%
3(d) Re-election of Mr Chow Kun Chee, Roland as a Director	86.51%
3(e) Re-election of Mr Leung Siu Hon as a Director	86.39%
3(f) Re-election of Mr Cheng Hoi Chuen, Vincent as a Director	89.48%
4 Appointment of Auditor and authorisation of Directors to fix the Auditor's remuneration	99.69%
5(1) Granting of a general mandate to Directors to issue additional shares of the Company	99.13%
5(2) Approval of the repurchase by the Company of its own shares	99.56%
<b>Special Resolution</b>	
6 Approval of the amendments to the Articles of Association of the Company	99.99%
<b>Ordinary Resolutions proposed at the EGM</b>	
1 Approval of the Second Tranche Transactions contemplated under the share purchase agreements dated 12 November 2020 entered into between, among others, CK Hutchison Networks Europe Investments S.à r.l. and Cellnex Telecom, S.A. and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to or incidental to the Second Tranche Transactions	99.89%
2 Re-election of Mr Wong Kwai Lam as a Director	98.16%

Accordingly, all resolutions put to shareholders at the 2020 AGM and the EGM were passed. The results of the voting by poll were published on the websites of the Group and HKEx.

## Corporate Governance Report

At the 2020 AGM, a special resolution was passed to amend the Articles of Association of the Company in order to provide flexibility to the Company on the conduct of general meetings in the form of hybrid meetings at which shareholders may participate by means of electronic facilities in addition to physical attendance. The amendments also explicitly set out other related powers of the Board and the chairman of the general meeting, including ensuring the security and orderly conduct of the meetings. Other minor amendments to the Articles of Association were also made to introduce corresponding as well as house-keeping changes.

Other corporate information relating to the Company is set out in the “Information for Shareholders” section of this annual report. This includes, among others, dates for key corporate events for 2021 and public float capitalisation as at 31 December 2020.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Group Investor Relations or the Company Secretary by mail to 48th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong or by email at ir@ckh.com.hk.

## SUSTAINABILITY

### Sustainability Governance & Approaches

The Group’s sustainability governance structure provides a solid foundation for developing and delivering its commitment to sustainability, which is embedded at all levels of the Group, including the Board, the Sustainability Committee, the Audit Committee, the Sustainability Working Group, the Governance Working Group and the Cyber Security Working Group as well as all core businesses.

The Sustainability Committee, elevated as a Board level committee on 19 June 2020, is chaired by Mr Frank Sixt with Ms Edith Shih and Dr Rosanna Wong as members.

The responsibilities of the Sustainability Committee are to propose and recommend to the Board on the Group’s sustainability objectives, strategies, priorities, initiatives and goals. It oversees, reviews and evaluates actions taken by the Group in furtherance of sustainability priorities and goals, including coordinating with business divisions of the Group and ensuring that their operations and practices adhere to the relevant priorities and goals. The Sustainability Committee also reviews and reports to the Board on sustainability risks and opportunities, monitors and assesses emerging sustainability issues and trends that could impact the business operations and performance of the Group. Moreover, it considers the impact of the Company’s sustainability programmes on its stakeholders, including employees, shareholders, investors, customers, business partners, suppliers, governments and regulators, local communities, non-government organisations, and the environment, and appraises and advises the Board on the Company’s public communication, disclosure and publications as regards to its sustainability performance.

The Sustainability Committee (established in June 2020) held one meeting in 2020 with 100% attendance.

Members	Attended/Eligible to Attend
Frank John Sixt ( <i>Chairman</i> )	1/1
Edith Shih	1/1
Wong Yick-ming, Rosanna	1/1

During 2020, the Sustainability Committee reviewed and approved the 2019 sustainability report which was published on 6 July 2020. It also approved the 2021 plan on sustainability for the Group, including the following high-level priorities: (i) developing a group-level strategy and set of targets, built on the foundation of business division-level strategies and supported by the Sustainability Working Group; (ii) continuing to engage investors and respond to their feedback, as well as to improve sustainability ratings; (iii) increasing external communications to further elevate the sustainability profile of the Company with all stakeholders; (iv) continuing to integrate sustainability into core business processes; (v) rolling out a group-wide online sustainability data management system; and (vi) continuing to build group-wide employee engagement and capacity building.

Supporting the Sustainability Committee is the Sustainability Working Group, comprising two Executive Directors as Co-Chairs, as well as other senior executives from key departments that influence the Group’s material sustainability impacts.

To further strengthen its sustainability management approaches, the Company recruited a group sustainability manager to drive the Group-wide sustainability strategy, working in partnership with the business divisions' sustainability working groups.

While sustainability has long-featured as a part of the Group's risk management approach, steps were taken in 2020 to further embed sustainability into the Group's risk management processes by requiring all business divisions to formally examine their material sustainability risks and present plans to senior management on how these risks are being managed as part of the Group's bi-annual review of risk management and internal control systems. As an integral part of sustainability governance, these self-assessment results are subject to internal audits, then submitted to the Executive Directors, the Audit and Sustainability Committees for review and approval. The Group's assessment of sustainability risks will be further enhanced through the use of leading practice frameworks such as the Taskforce of Climate-Related Financial Disclosures (TCFD) framework.

The Group's overall sustainability approach and priorities are built on four pillars, namely Business, People, Environment and Community. Each pillar is supported by Group-wide policies, leadership at the Group level and the collective efforts of each core business division. On an ongoing basis, the Group continues to assess, update and refine its sustainability policies with a view of ensuring that its systems, processes, standards and practices are enabling the achievement of the Group's sustainability objectives which also evolve to reflect emerging sustainability trends. These policies can be found in the "Sustainability Policies" section of the Group's corporate website ([https://www.ckh.com.hk/en/esg/esg\\_policies.php](https://www.ckh.com.hk/en/esg/esg_policies.php)), and together with the governance policies mentioned earlier in this report, form the foundation of Group's sustainability governance framework.

Throughout 2020, the Group continued its ongoing efforts to engage with a variety of stakeholders. As the Group has a diverse range of businesses and operates in about 50 countries, maintaining a close dialogue with key stakeholders in each industry and geographical jurisdiction is critical when making business decisions and considering their potential sustainability impact. Recognising that sustainability performance is becoming an important investment decision factor for investors and the increasing demand from investors for expanded sustainability disclosures, the Company conducted a survey of its key investors (both equity and debt) in 2020 to understand their main priorities with a view to further enhancing effective Group reporting going forward. During the year, the Group also initiated direct and active engagement with sustainability rating agencies to better understand the criteria, standards and weighting of their scores to further enhance our direction of reporting.

Beyond the following sustainability summary of initiatives, the standalone sustainability report of the Group, which will be published in June 2021, will provide more details of the Group's sustainability efforts.

## **Sustainability Initiatives & Performance**

Faced with the unprecedented challenge of the COVID-19 pandemic in 2020, the top sustainability priority of the Group has therefore been supporting its employees, customers and communities. Please refer to the "Operations Review" of this annual report for more details on how the Group has been supporting its stakeholders during this difficult period.

During 2020, the Group continued to focus efforts on action on climate change, a sustainability priority identified for all business divisions. The procurement of 100% renewable electricity contracts in key markets across Europe continued to make progress in 2020 for the Retail, Telecommunications and Ports divisions. Through the very nature of its business, the Infrastructure business division contributes to a low carbon future through the generation of wind, solar and waste-based power capacity as well as other alternative fuels such as biogas and green hydrogen. Taking steps to align the climate action strategy to leading practice frameworks, CK Hutchison Group Telecom responded to the Carbon Disclosure Project in 2020 and launched a project with the combined aim of setting a science-based target as well as reviewing approaches against the TCFD recommendations.

With a workforce of over 300,000 dedicated individuals worldwide, the Group aspires to be an employer of choice through competitive remuneration packages, continuous professional training, and a safe and inclusive working environment. As part of the talent pipeline development, monthly in-house and external training courses and programmes covering a wide range of topics including technical skills development training, soft skills training and wellness programmes are provided to employees at all levels. Further, Group companies work with educational and professional institutions to inspire, train and mentor the younger generation for future careers with the Group. The Group is committed to providing a work environment that is free from all forms of discrimination on the basis of race, ethnicity, gender, creed, religion, age, disability, sexual preference or position. It is a Group policy to provide equal opportunity to all employees with regard to hiring, pay rates, training and development, promotions and other terms of employment.

## Corporate Governance Report

Many of the Group's customers have been key partners to the Group's businesses for many years. Service reliability and safety are among important factors that are essential to these relationships. Additionally, the Group continues to employ new technologies to ensure that the quality and delivery of service are consistent, efficient and timely. The Group embraces a service-oriented culture, which is crucial to sustainability across all business divisions.

The Group's diversified businesses are supported by a wide range of suppliers and contractors whose businesses are interlinked with the Group's performance. Responsible sourcing, supplier engagement and oversight are crucial to ensuring a sustainable and ethical supply chain. The Group's Supply Chain Code of Conduct lays out the Group's expectations relating to business ethics, human rights and environmental protection. Business divisions further mandate additional requirements for suppliers depending on their supply chain structure. The Retail division conducts hundreds of supplier assessments every year against social and environmental standards, following the methodology and tools developed by amfori's Business Social Compliance Initiative and Business Environmental Protection Initiative, as well as the Mekong Club. To further communicate the sustainability benefits of products to consumers, Watson's retail in Asia launched in 2020 a new filter on their eCommerce platforms called "Sustainable Choices" enabling consumers to easily identify products with certain sustainability benefits such as products with refillable containers, better ingredients, improved packaging or those identified as clean beauty.

Many of the Group's businesses operate in highly regulated environments. Regulatory frameworks are closely analysed and monitored and internal policies are prepared and updated accordingly. Tailor-made workshops are conducted to strengthen awareness and understanding of the Group's internal controls and compliance procedures. In addition, refresher courses on ethical business practices are provided on a regular basis. Where appropriate, best practices are shared amongst Group companies to increase cross-fertilisation of ideas and know-how. Further, the Group internal audit function is responsible for the assessment of the Group's sustainability practices and relevant regulatory compliance.

The Group is not aware of any incidents of non-compliance with laws and regulations that may have a significant impact on the Group concerning employment, occupational health and safety or labour standards, product responsibility, anti-corruption, air and water discharges, and generation of waste during the year. The Group's compliance with the relevant laws and regulations which have a significant impact on the Group are also provided on pages 110 to 111 of this report.

By order of the Board

**Edith Shih**

*Executive Director and Company Secretary*

Hong Kong, 18 March 2021