

Environmental, Social and Governance Report

A philosophy of continuous improvement serves HTHKH's commitment to staff members, customers and supply chain entities, as well as our anti-corruption, environmental and community efforts.



Environmental, Social and Governance Report

About this Report

This ESG report provides an annual update on sustainability performance of the Group for the year ended 31 December 2016. There are no significant changes in the scope and the aspect boundaries compared with the Group's ESG Report for 2015.

This ESG report is prepared in accordance with the latest ESG Reporting Guide under Appendix 27 to the Listing Rules issued by the Stock Exchange in 2015, and should be read in conjunction with the Corporate Governance Report section of this annual report.

Approach to ESG strategy and reporting

The Group's approach to ESG strategy seeks to align with the development of the Group and value creation for our stakeholders. Key ESG issues are identified, prioritised and addressed to demonstrate transparency and accountability to the stakeholders concerned.

As a leading integrated telecommunications operator in Hong Kong, the Group acknowledges the importance of good ESG strategy and therefore integrates ESG into its daily operations. ESG issues are addressed both at Group and business level. The Board has delegated day-to-day responsibility for corporate governance and sustainability matters to the Governance Working Group. This group provides strategic direction, establishes sustainability policy and objectives, oversees corporate governance matters and monitors progress.

A sustainability taskforce has been formed to formulate and translate policy into action, while facilitating exchange of best practices throughout group companies. Business units and departments within the Group then integrate such initiatives into operations and activities. The sustainability taskforce collects and analyses data, evaluates performance and reports major issues to Governance Working Group on periodic basis.

Stakeholder engagement and material assessment

Stakeholder engagement is an integral part of the Group's approach to sustainable development. The Group maintains ongoing dialogue with key stakeholders including employees, shareholders, customers, suppliers, local communities, professional institutions, non-governmental organisations and the authorities. The Group collects views from stakeholders regularly through a variety of channels such as meetings, liaison groups, panel discussions, surveys, feedback programmes and workshops.

ESG compliance and how the Group leverages what it does as a core business to benefit the community are of key concern and interest to the Group's stakeholders and therefore enjoy priority in the way the Group manages ESG. Given the diversity of business operations supporting various basic functions of society, ESG aspects considered important by stakeholders range from environmental emissions and use of resources to employment and operating practices, as well as investment in the community. Material aspects identified are reviewed annually and updated by Corporate Governance Committee where necessary.

This report is divided into six sections that cover commitments to staff members, customers, supply chain entities as well as anti-corruption, environmental and community efforts. In each section, key initiatives and activities performed by representative businesses are included to demonstrate efforts in creating long term value for the stakeholders.

Commitment to Our Staff Members

Recruiting, engaging and retaining talent

Employees represent a precious asset of the Group, and career opportunities are made available to loyal and industrious staff members, as the Group expands.

As of 31 December 2016, the Group employed 2,304 full-time staff members. The Group is committed to complying with the Employment Ordinance and associated guidelines and regulations including laws prohibiting child and forced labour. Every aspect of employment is subject to a stringent internal review process. This involves a well-defined monitoring procedure to verify a candidate's personal information so as to prevent misrepresentation and any form of forced labour. An official employment contract comes complete with easily-understood terms and conditions, and each individual is well briefed before being employed. The Group's Code of Ethics requires staff to comply with applicable government and regulatory laws, rules, codes and regulations.

The Group adopts equal employment opportunity policies and runs programmes that ensure employees are hired, promoted and assigned on the basis of their skills and abilities. The Group is committed to providing all employees with a positive, diverse, respectful and safe working environment, without discrimination or harassment. The selection process affords equal opportunities to all persons subscribing to the Group's commitment to excellence - and is carried out regardless of race, colour, gender or religious belief. This non-discrimination policy continues throughout a staff member's career and applies to all employment matters including placement, transfer, promotion and compensation.

Investing in training and development

Heavy emphasis on career development translates into extensive and ongoing workshops and on-the-job training. Comprehensive and structured programmes are designed to familiarise new staff members with the industry. The Group also extends tailored programmes to certain educational institutions to help identify potential candidates for employment and allow those interested to learn more about a career development path.

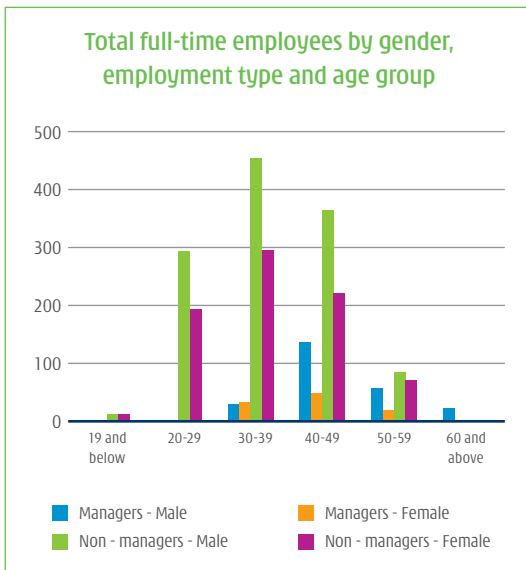
Educational sponsorship is available to employees in the form of job-related courses provided by external institutions. The Group encourages employees to take part in work-life balance activities and community service. These include employee outings, sports events and volunteering activities in the community.

The Group won the "7th Asia Best Employer Brand Awards 2016 - Asia's Best Employer Brand", thereby demonstrating commitment to retention of talent and motivating our employees to build their career within the Group.





“ Customer satisfaction is high priority for the Group ”



Promoting well-being, health and safety

The Group provides a safe and healthy workplace for all employees, and is committed to complying with all applicable health and safety laws and regulations. Health and safety considerations are an important element of the design, operation and maintenance of the office facilities, and the way our business is conducted.

Employees are able to access health and safety information posted on the Group’s intranet, which includes hyperlinks to external sites. A list of first aid helpers is maintained in offices, along with information to help employees understand how accidents should be reported.

Regulatory compliance

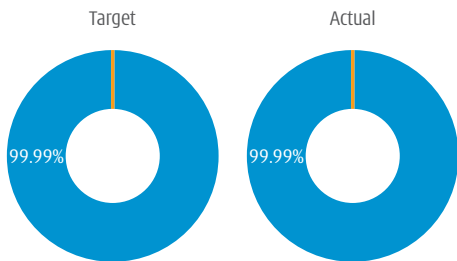
During 2016, the Group was not aware of any non-compliance with laws and regulations that have a significant impact relating to employment and labour practices or occupational health and safety. Nor did the Group identify any incidents relating to hire of child and forced labour.

Commitment to Our Customers

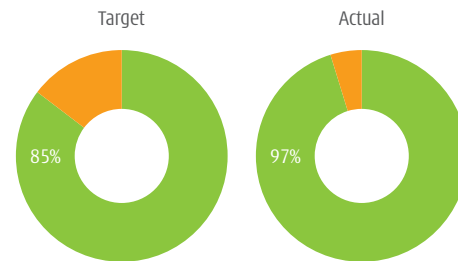
Building trust through reliability and quality

Customer satisfaction is high priority for the Group. The Group was the only corporation in Hong Kong to win the “Smiling Enterprise Outstanding Award” in 2016. This applauded frontline staff for adopting a particularly helpful and sincere attitude when serving customers during “mystery shopper” visits organised by the Mystery Shopper Service Association. The 24/7 online 3iChat customer interface uses emoticons to create a friendly rapport, while the eSelf-service initiative has blossomed into a swift, simple and good-natured customer experience. Outstanding eSelf-service performance won recognition from Marketing Magazine in the form of two titles from the Mob-Ex Awards scheme.

3 Hong Kong network availability:
The availability of the core network
i.e. the percentage of the uptime of
the core network in an observation period

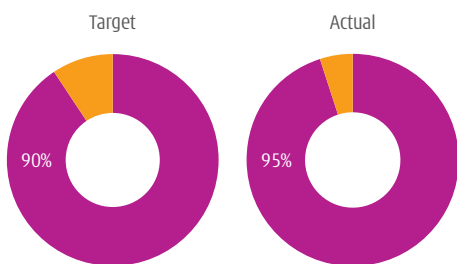


3 Hong Kong customer hotline performance:
hotline answer time - within 30 seconds*



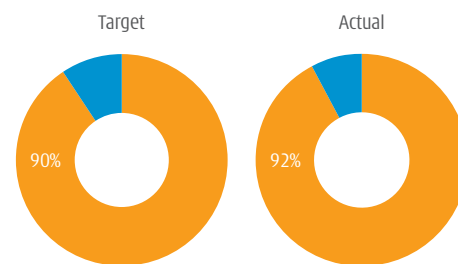
* Not applicable to the period of unexpected incidents (e.g. system outage and typhoon) or during the launch of large-scale promotional campaigns

3 Hong Kong complaint acknowledge time:
before the end of next working day upon
receipt during office hours*



* General complaints do not include (1) scenarios where the relevant customer is not reachable or when the information and/or supporting documents provide by the customer are insufficient to carry out trouble-shooting and testing; and (2) cases which require on site testing or joint testing with other service providers or contractors be carried out

3 Hong Kong complaint resolution time:
within 5 working days*



* General complaints do not include (1) scenarios where the relevant customer is not reachable or when the information and/or supporting documents provide by the customer are insufficient to carry out trouble-shooting and testing; and (2) cases which require on site testing or joint testing with other service providers or contractors be carried out



• HTHKH plays a role in the Computer Recycling Programme run by the Environmental Protection Department.

Enabling sustainable options

Research identifies IT infrastructure as a major source of energy consumption and GHG emission. However, cloud services provided by HGC optimise the way IT equipment is used in order to consume less space and energy. This helps the customers of the Group achieve greater energy efficiency than when running on-premise IT infrastructure. HGC's cloud services grant customers access to equipment, networks and software, while reducing the negative impact on the environment by cutting GHG emissions and generation of hazardous waste when replacing equipment. HGC launched cloud services for consumer and corporate customers so they can operate more efficiently and sustainably.

Improving customer experience

The Group maintains a range of customer communications channels such as customer service centres, social networking pages and smartphone applications so that feedback can be acted upon. The Group treats customer feedback with due care and in a timely manner. In addition, customer complaints are handled efficiently and investigated to identify and rectify root causes. Records are kept as to how complaints are handled and whether any improvements resulted, with measures in place to review outcomes. The Group also fosters a culture of continuous improvement by benchmarking and publishing service performance details on a regular basis. Service levels are benchmarked according to performance pledges to customers and periodically published on the website of the Group.

Protecting our customers

The Group is committed to complying with data privacy laws and regulations. Privacy Policy and Personal Information Collection Statements demonstrate a commitment to safeguarding each customer's personal data. The Group has developed a robust system to control collection, access to, updating, security and retention of personal data received.

Protecting consumers and safeguarding their privacy are top priorities. In addition to distribution of guidelines and handbooks, the Group issues periodic reminders to customer-facing employees, and runs workshops to emphasise the importance of protecting personal data.

Regulatory compliance

During 2016, the Group was not aware of any incidents of non-compliance with laws or regulations that have a significant impact concerning health and safety, advertising, labeling and privacy matters relating to products and services and methods of redress.

Commitment to Our Supply Chain

Fair assessment of suppliers

The Group is committed to upholding international and local laws and regulations. Purchasing and Business Partner Evaluation Policies and Procedures provide direction and guidelines on evaluation and engagement when dealing with major business partners. This encompasses working relationships with suppliers of

goods and services to ensure business is conducted with legally, financially and technically-sound entities.

The Group adheres to international best practices and conducts fair and unbiased tender processes in dealings with vendors. When selecting vendors and suppliers, the Group takes factors into account such as quality of products and services, past performance, financial standing, capacity assessment and reputation including track records in handling social and environmental matters. The Group expects suppliers to observe the same environmental, social, health and safety and governance considerations in their own operating practices. Procurement teams are trained to take into account each and every aspect of such policies and procedures when assessing suppliers, and tendering procedures are carefully communicated to vendors. The Group also provides stakeholders, including vendors, with procedures such that they can report any suspected impropriety.

Anti-corruption

An Anti-Bribery and Anti-Corruption Policy sets out standards of conduct that all employees are required to follow. The Group has also established Procedures for Reporting Possible Improprieties on matters of Financial Reporting, Internal Control or other matters to encourage employees of the Group - and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) - to report any suspected impropriety, misconduct or malpractice within the Group. These procedures aim to provide reporting channels and guidance, while reassuring whistleblowers that they will be protected against any unfair treatment.

The Group organises periodic corporate governance seminars and training on anti-corruption measures and guidelines, as well as sound operating practices and business ethics.

Regulatory compliance

During 2016, the Group was not aware of any of non-compliance with laws or regulations that have a significant impact concerning bribery, extortion, fraud and money laundering.

Commitment to Our Environment

Optimising resources use

Our internal environmental-protection policy details a commitment to minimise the negative impact of business activities on the environment and support protection initiatives.

The sustainability taskforce comprises representatives from business units and was established to promote staff awareness around environmental protection. The Go Green Workshops were run during 2016 and green tips were disseminated to raise awareness among employees.

• Volunteers help members of the Hong Chi Tai Ping Centre celebrate the magic of Mid-autumn Festival.



• Staff and their families join the Go Green tour and get a first-hand impression of organic farming.





“ The Group engages in a wide range of philanthropic efforts to benefit the community ”

The Group demonstrated a keen sense of community spirit by running the Recycling of Handsets and Accessories Programme and placing recycling boxes at designated 3Shops to encourage the public to dispose of, and recycle, unwanted phones and handset accessories. Since the programme was launched in 2012, more than 2,500 old handset and accessory items were collected and handed to Environmental Protection Department of the Hong Kong Government and voluntary organisations for recycling or reuse.

In 2016, the Group contributed to the Computer Recycling Programme run by the Environmental Protection Department of the Hong Kong Government. More than 1,000 units of recyclable equipment such as desktop PCs, laptops, monitors, printers and scanners were amassed as a result of staff computers and associated equipment being renewed. Items fit for reuse have since been donated to people in need.

The Group was in 2016 awarded the Class of Excellence for Wastewi\$e certificate and EnergyWi\$e certificate. This was the third year Green Office status has been awarded to the Group under the World Green Organisation's Green Office Awards Labelling Scheme. In addition, the Group received Better World Company honours as part of the United Nations' Sustainable Development Goals initiative through the Junior Chamber International Hong Kong.

The Group continues to encourage customers to opt for electronic billing through email or SMS, as part of a long-term strategy to reduce consumption of paper.

Our Watson Centre data centre is accredited with ISO 50001 energy management system certification, exemplifying pioneering efforts to conserve energy and develop sustainable data centre facilities.

Regulatory compliance

During 2016, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and GHG emissions, discharges into water or land, and generation of hazardous waste.

Commitment to Our Community

The Group engages in a wide range of philanthropic efforts to benefit the community. Such initiatives include employee volunteerism, education and health care. In line with sound corporate governance practice, donations and contributions are subject to internal compliance guidelines and controls in order to safeguard stakeholder and shareholder interests.



● Volunteers help generate an atmosphere of fun at a centre for the elderly and hand out souvenirs.



● A programme was organised to collect foodstuffs for people in need.

The Group has maintained “Caring Company” status – granted by the Hong Kong Council of Social Service – for an extensive period of time. The Group has adopted a public engagement and donation policy to promote serving the community through voluntary efforts from staff and by way of cash and in-kind donations.

Cash and in-kind donations for 2016 amounted to approximately HK\$0.6 million and benefitted community projects in Hong Kong and Macau under the subject headings of community, education, youth and the elderly.

Drawing on the strength of the Group’s superior mobile communications network and technology expertise, the Group has made in-kind donations to the benefit of a diversity of needy individuals. For example, the Group sponsored senior citizens by providing the free “e-Care Link” package, which includes voice minutes, local data usage, certain smartphone models and the all-year-round call-and-care “e-Care Link” service. This was carried out under the auspices of the Safety Phone Service Plans Sponsorship Programme organised by the Senior Citizen Home Safety Association. The year under review also saw continuity of the Lo-Yau-Kee Monthly Service Plans Sponsorship Programme, which was launched in 2010. Meanwhile, senior citizens from a number of charitable organisations benefitted from a waiver of service fee from the Group.

Further, the Group contributed towards building an inclusive and caring society by making it easy for people with disabilities and special needs to obtain information and services. The Group’s corporate and HGC websites won gold awards in the Web Accessibility Recognition Scheme organised by The Office of the Government Chief Information Officer and the Equal Opportunities Commission.

The Group also plays an important role in imparting knowledge of mobile technologies and ICT among young people. The Group sponsored the Hong Kong Next Generation Interest Society Technical Seminar and

- The Group encourages staff to get involved in sporting events that benefit worthwhile causes.



the Communication Association of Hong Kong’s ICT Conference and Expo 2016. Student visits to the Group’s data centre were also conducted.

The Group emphasises the importance of striking a healthy work-life balance and encourages staff to participate in various charity sports events such as the Standard Chartered Hong Kong Marathon, Orbis walks for Sight, the Hong Kong Disneyland 10K Weekend and Oxfam Trailwalker. Some of such initiatives were also sponsored by the Group.

As a responsible corporate citizen, the Group initiated a food donation programme in 2016 so staff could donate canned and other foodstuffs, as well as non-refrigerated beverages, to the SKH St Christopher’s Home, St Mary’s Home for the Aged and Kwun Tong Methodist Social Service Gleaners Community Foodbank.

Staff in Macau took part in a community walk to raise funds for the underprivileged, while the Group continued to sponsor the Mobile Application Software Technologies Training Plan, which encourages youngsters to keep up to speed with the latest mobile app technology.