

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The energy sector worldwide is moving every year towards greater social, environmental and disclosure responsibilities and the Group as a global player welcomes this evolution.

The Group ("Group" refers to Power Assets Holdings Limited and its subsidiaries, associates and joint ventures) believes that the only way to achieve our ultimate goal of 'sustained and sustainable growth' is through open engagement, a constant drive to minimise environmental impact and by offering the best services to customers and support to employees and suppliers.

This report provides an overview of the sustainability strategies and initiatives undertaken by Power Assets Holdings Limited and its subsidiaries (collectively "Power Assets") and also highlights some sustainability initiatives carried out by its associates and joint venture companies in 2014. Some of these associates and joint venture companies publish their own environmental, social and governance information or sustainability report on their websites, whose addresses can be found on the Power Assets website at www.powerassets.com.

Stakeholder Engagement

The Group engages regularly with our stakeholders, including customers, shareholders, suppliers and regulators to understand and address their expectations.

Customers

Our associates and joint venture companies across the world pride themselves on the highest standards of customer service and engagement. Below are some highlights in 2014.

The Group's electricity and gas distribution companies in the UK have demonstrated a strong performance in customer service, leading the industry in statutory surveys conducted on behalf of the Office of the Gas and Electricity Markets (Ofgem). Ofgem has rated Northern Gas Networks (NGN) the best gas distribution network for customer satisfaction in the UK in the 2014 regulatory period. NGN was awarded the Customer Focus Award at the UK's National Business Award, and in addition won 6 categories in the prestigious UK Customer Experience Awards. Wales & West Utilities (WWU) presented progress made on their stakeholder engagement strategy to an independent panel of experts chaired by Ofgem during the year.

In Australia SA Power Networks (SAPN) conducted extensive customer engagement in the run up to new projects. In 2014 CitiPower and Powercor Australia ran a comprehensive stakeholder engagement programme ahead of its upcoming price reset, involving forums, an online survey and interviews for customers to contribute their views.

In Hong Kong, HK Electric operates a 50-member Customer Liaison Group (CLG), which serves as the primary forum for its engagement with customers. The CLG's feedback formed an important input into service improvement. HK Electric also operates a customer centre to offer customers advice and support and keeps its customers informed of company developments through a quarterly newsletter, HK Electric Online.

Shareholders

The investor relations section of the Power Assets website provides updated information as well as a

communication channel between the Group and its shareholders. Printed and online versions of notices, announcements, annual and interim reports comprise a key communication channel with investors. The annual general meeting provided a forum for shareholders to exchange views with the Board of the Group. Briefings with analysts were held throughout the year.

Suppliers

To ensure the effectiveness of the supply chain process, Power Assets has stringent requirement in selecting qualified suppliers to make sure the whole production process is in line with our standards and specifications. We constantly review the standards of our suppliers and cease cooperation with unqualified suppliers.

Regulators

The Group operates in the power and utility-related business through different power entities around the world. Many of these entities are subject to the jurisdictions of local and international regulators.

Along with compliance with applicable laws, rules and regulations, each operating company has taken steps to ensure that it takes into account relevant local concerns and customs.

Workplace Quality

Working conditions

The Group’s priority is to ensure its employees whether directly employed by Power Assets or through its operating companies around the world have a safe and supportive working environment that enables them to achieve their potential. Each company complies with legislation on gender, age, race, religion, sexual orientation and disability in the recruitment, retention and release of its employees.

In 2014 Investors in People, a UK governmental organisation managed by the UK Commission for Employment and Skills, awarded UK Power Networks (UKPN) the prestigious Gold Status for employee engagement, its employee assistance programmes and its diversity and inclusiveness programmes. The



WWU employees recharging the batteries through sports.

award recognised the way UKPN has led and developed its workforce to constantly improve the service they provide for 8.2 million homes and businesses. UKPN also launched IT systems that simplified and automated processes like mileage and expense claims, leave requests and employee data changes as part of its business transformation programme.

WWU uses flexible shifts and mandated shift patterns that match resources to workloads. This has resulted in significant improvements in productivity and availability of the workforce.

Health and safety

The Group takes its duty of care to employees, customers, contractors and the public very seriously and conducts all aspects of our business in a safe and socially responsible manner. To accomplish this, Power Assets complies fully with local regulations and international best practice, while encouraging our business partners, associates and joint ventures to uphold the same high standards. Below are some examples.



Customer engagement is core to SAPN’s ethos.

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At UKPN a 'Behavioural Safety' training and coaching programme ran in 2014 for all frontline staff with a significant number of staff taking on the role of 'frontline safety coaches'. This has contributed to the continued excellent safety performance across the business in 2014. WWU received the Achilles Accreditation Gold award for occupational health and safety and from the Royal Society for the Prevention of Accidents (RoSPA) for high standards in occupational safety.

SAPN maintained its safety certifications from AS/NZS 4801 and OHSAS 18001. It was shortlisted for a national safety award by the National Safety Council of Australia. CitiPower and Powercor Australia launched 'Never Compromise Safety', a set of rules accompanied by an app, to improve hazard reporting and attain the target of zero incidents by the end of 2015.



In Thailand, Ratchaburi Power (RPCL) completed 2.4 million man-hours without accidents and obtained a Bronze Award at the Zero Accident Campaign organised by the Thailand Ministry of Labour.

HK Electric launched a company-wide safety campaign in 2014 that ran throughout the year incorporating initiatives such as training, quizzes and surveys.

Development and training

The Group believes that for long-term success, the right people need to be effectively developed, optimally deployed and properly engaged to deliver results. Each business implements its employee development programmes including apprenticeships, graduate programmes, internal and external training and

development, job rotation and external attachment programmes that are most appropriate for their respective markets. Some of these are highlighted below.

During the year, HK Electric established the "HK Electric Institute" to create an enduring framework for providing employees high quality, in-depth training on a wide range of technical topics. The Institute leveraged the immense depth of knowledge in the organisation by inviting retired and existing employees as honorary lecturers to provide advanced power engineering training to engineering staff.

2014 was a record year for apprentice and trainee intake for our associates in Australia. CitiPower and Powercor employed 49 new apprentices and trainees, the largest intake in their history. SAPN has 148 apprentices in training and 27 engineering and IT graduates participating in a three-year development programme. SAPN was voted the best graduate employer across Australia in a survey by Australian Association of Graduate Employers Ltd in 2014.

During the year NGN launched a new e-learning platform named Frog for staff, offering training, education materials and tips on a range of subjects from customer handling techniques to telephone and presentation skills. The platform has proved a flexible, enjoyable, and cost effective medium for staff to increase their skills, knowledge and careers opportunities within NGN. In addition a new induction programme which is called 'Welcome' was introduced for all new starters.

At the Jinwan and Siping Power Stations in Mainland China staff have been given opportunities for on-the-job training and job rotation opportunities during extensive retrofit programmes carried out in 2014. Internal and external courses, and sharing sessions for personal development were attended by over 500 participants.

Wellington Electricity Lines (WELL) established a training database during the year, offering a wide range of technical, personal and managerial training modules for employees to choose from.

Labour standards

Power Assets' Equal Opportunity Policy formalises our commitment to provide all our employees with a workplace that treats everyone equally, with respect and equality, without any form of discrimination, creating a harmonious, open, supportive, safe and healthy work

environment. We recruit and promote people based only on their ability and performance and do not tolerate discrimination or harassment of any kind.

Environmental Protection

Emissions

As an energy business it is imperative for us to put the environment first and support sustainable development by conducting our business in an environmentally responsible manner. The Group is aware of the impact of climate change and makes every effort to minimise the effect our operations have on the environment, including exploration of the wider use of renewable energy. We educate our employees, business partners and customers on the smart and efficient use of energy. Our associate and joint venture companies strive to improve their emissions performance every year. Some highlights of 2014 performance follow.

In the UK, all our joint venture companies have achieved the ISO 14001 standard for environmentally friendly operations.

In Australia, our newly acquired company, Australian Gas Network (AGN), continued its extensive mains replacement programme which is aimed at reducing leaks and improving efficiency, thereby reducing emissions. The programme mainly involves the replacement of old cast iron and unprotected steel mains.

During the year, AGN spent A\$1.9 million to remediate the former coal gas production site at Warragul in Victoria following similar restoration projects at Benalla (Victoria) and Albury (New South Wales) in the prior year. The production of coal gas at these sites ceased around 50 years ago.

Zhuhai, Jinwan and Siping Power Stations conducted major overhauls of emissions reduction equipment with

HK Electric Smart Power Fund helps old buildings improve energy efficiency.



Environmental audit identifies ways to reduce energy and water use at SAPN.

a view to reducing their carbon footprint and to adhere to stricter guidelines from the government. Jinwan Power Station secured the "green" rating from the Guangdong Provincial Environmental Protection Bureau.

The Group has invested in renewable energy and is constantly looking to increase its portfolio of low-risk, sustainable energy businesses. In Hong Kong the 800 kW wind turbine and the 1 MW solar power system of HK Electric together generated over 2 million units of electricity during the year, avoiding about 1,660 tonnes of carbon dioxide emissions. HK Electric conducted wind speed measurement to assess the feasibility of developing Hong Kong's first offshore wind farm. The Dali and Laoting wind farms generated 193.1 GWh of electricity, altogether reducing 185,534 tonnes of carbon emissions. In the Netherlands, the energy from waste business, AVR-Afvalverwerking B.V. (AVR), recycled residual waste to generate safe, reliable heating and electricity.

Use of resources

Power Assets follows the "4R" principles: our aim is to reduce, reuse, recover and recycle materials and resources as much as possible.

SAPN has a standing Resource Efficiency Working Group that identifies and implements a number of initiatives to reduce the organisation's energy and water consumption. Its recycling and resource recovery systems continued to achieve positive results, with a significant improvement in the organisation's recycling rate from 8% in 2009 to an average of 38% in 2014. The bulk of the general waste is sent to an advanced alternative fuels facility for re-processing and only 7% goes to landfill.

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UKPN's Flexible Plug and Play makes it easier to connect to the electricity network.



To help the community improve energy efficiency, HK Electric launched the Smart Power Fund in 2014. The Fund matches on a dollar-for-dollar basis the investment made by owners of residential buildings in carrying out energy efficiency enhancement works in common areas. The Fund which runs until 2018 is HK Electric's largest initiative to promote energy efficiency for a low carbon community. About HK\$5 million was injected into the Fund in 2014.

Environmental and natural resources

Power Assets embraces green purchasing practices and adopts advanced technologies and processes to conserve natural resources.

UKPN's Flexible Plug and Play project allows renewable generation schemes to be connected to the electricity network faster and cheaper. Trials have proved so successful that it is being extended to other parts of the electricity network in 2015. The project won the Low Carbon Energy Innovation Award at The East of England Energy Group's (EEEGR) Energy Innovation Awards in July 2014.

WWU's second carbon monoxide conference brought together over 200 delegates, including representatives from all fuels and Members of Parliament. Delegates shared progress and tracked progression against a UK-wide roadmap to address the risk of carbon monoxide poisoning.

Operating Practices

Supply chain management

Power Assets has a Code of Practice for Suppliers in place, which outlines the ethical, human and labour rights, health and safety, and environment protection standards for the domestic and international suppliers, contractors, and consultants of the company.

Suppliers are expected to follow this code as well as to communicate it to their employees.

HK Electric manages the potential environmental and social risks in the supply chain process as far as practicable through bi-annual risk assessment and implementation of the Code of Practice for Suppliers.

Jinwan Power Station has established a pre-qualification review system to vet the suppliers entering the bidding process on a number of environmental and operational criteria. It intends to share this knowledge with other power plants in Guangdong for the benefit of the sector as a whole.

Product responsibility

The Group's associates and joint venture companies across the world strive to meet their respective regulators' stringent customer service requirements. They aim to exceed customers' expectations and achieve total customer satisfaction by continually improving their services.

HK Electric has been providing customers with a highly reliable electricity supply at a world-class reliability rating of over 99.999% since 1997. It tracks its customer service performance against 18 pledged standards which were all either met or surpassed in 2014, as in previous years. To enable customers to track their consumption patterns and to better understand their own carbon footprint, data such as electricity consumption, monthly per capita electricity consumption, and carbon dioxide emissions per unit of electricity consumed are included in electricity bills.

HK Electric's Low Carbon App, available on both iPhone and Android platforms, provides information on energy efficiency and safety, helps customers estimate electricity consumption and carbon footprint, and recommends saving plans to make wiser use of energy while enhancing safety.

HK Electric's eco-tours help raise environmental awareness.



Anti-corruption

Power Assets adheres to a formal anti-bribery and anti-corruption policy. It has a zero-tolerance policy on corruption and fraud. Any form of bribery or corruption is strictly prohibited. Power Assets' Code of Conduct provides guidelines for staff to work in an ethical, socially responsible manner and uphold high standards of integrity. It also operates an independent whistleblower hotline to provide a secure channel of communication for staff.

In 2014 WWU implemented an annual e-learning exercise for all employees and contractors staff on its anti-bribery and anti-corruption policy.

Community Involvement

Community investment

The Group believes that our role and responsibility in the communities we operate goes beyond being just an energy provider. We strive to be responsible good corporate citizens and believe in lending a helping hand to those less fortunate than we are. Apart from donations to social and charitable causes we put special emphasis on employee volunteerism. Outlined below are some of the community activities organised in 2014 by our associates and joint venture companies.



SAPN employees cycle to raise funds for cancer patients.

As South Australia's sole electricity distributor, SAPN has a diverse sponsorship and community support programme. A varied number of local organisations benefited including the arts, educational institutions and services for the physically impaired. In September 2014 the SAPN Employee Foundation reached a significant milestone by donating its millionth dollar to charity in just eight years.

CitiPower and Powercor Australia's Workplace Giving Scheme offers employees the opportunity to make regular donations to 25 charities. Employees have



CitiPower and Powercor support children from disadvantaged backgrounds to stay engaged in education.

supported a wide variety of causes and organisations from the Breast Cancer Network Australia to the Royal Society for the Prevention of Cruelty to Animals.

RPCL participated in the Thai National Children's Day by organising fun and games, and providing sweets and gifts to school children. During the year, it ran eye clinics for the elderly and eye patients in nine surrounding sub-districts at 13 public health centres.

The Dali wind farm encourages its employees to care for the disadvantaged group in the community. During the year the wind farm contributed 160 man-hours to environment work and 200 man-hours to community work in addition to financial donations to local causes.

For over a decade HK Electric has run an effective employee volunteerism programme with about half its workforce donating their own time to support the community. During the year volunteers and elderly ambassadors participated in the CAREnival for the Elderly scheme, making over 300 visits to the single elderly, helping them to purchase bulky necessities. The Good Neighbour programme launched in 2012 was also warmly supported by employees who participated in home visits to retired employees, particularly those who are ill or living alone; organised English workshops and conducted photography training for students from socially deprived families.

In 2014, HK Electric continued to partner with local green groups including The Conservancy Association and Friends of the Earth to educate the public on environmental awareness, smart energy use and recycling. The popular Green Hong Kong Green programme organises monthly eco-tours to introduce the city's ecological resources. A total of 274 schools have been given the 'Happy Green School' label for their efforts in environmental education under the Smart Power Campaign.