

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Tree planting under way at Collingwood Children's Farm, supported by CitiPower and Powercor.

The Group ("Group" refers to Power Assets Holdings Limited and its subsidiaries, associates and joint ventures) is committed to our ultimate goal of "sustained and sustainable growth". We are conscious of our social, environmental and disclosure responsibilities, and are a constituent member of the Hang Seng Corporate Sustainability Index and the Dow Jones Sustainability Index.

To ensure the sustainable growth and economic development of the communities they operate in, each of our associates and joint venture companies develop and implement strategies appropriate to its market. We ensure that our dealings with all our direct stakeholders, from customers and employees to suppliers, are fair and ethical. The Group also runs a variety of environmental sustainability and community development initiatives.

This report presents some highlights of our sustainability efforts during 2015. Some of the Group's 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 www.powerassets.com.

Stakeholder Engagement

The Group regularly engages with key stakeholders including customers, shareholders, employees, suppliers and regulators to enhance mutual understanding.

Customers

The Group's UK associates improved their own customer service performance records, achieving industry leading results in statutory surveys conducted on behalf of the regulator Office of the Gas and Electricity Markets (Ofgem). Northern Gas Networks (NGN) and Wales & West Utilities (WWU) were industry leaders in customer satisfaction during the year. WWU launched an innovative and targeted support initiative for vulnerable customers, incorporating a strategic panel and hardship fund.

NGN vehicles feature Green Road technology to improve driver performance and fuel efficiency.



In Hong Kong, HK Electric's Customer Liaison Group (CLG) has long served as a formal channel for the company to interact with customers. Meeting twice a year, the CLG has provided feedback that is valuable in improving the company's services. In 2015 the Group had 49 members, including domestic customers, district councilors, local leaders and NGO representatives. The company also received the Mystery Caller Assessment Award (Gold) from the Hong Kong Call Centre Association.

Shareholders

The Group is committed to promoting open communication with its shareholders, ensuring consistency and transparency to engender mutual understanding. We encourage all shareholders to participate at our annual general meeting, and hold briefings with analysts throughout the year. The investor relations section of the Power Assets website (www.powerassets.com) provides updated information and is an important communication channel between the Group and its shareholders, alongside printed and online versions of notices, announcements. We publish annual and interim financial results as well as other corporate communications.



Power Assets' Annual General Meeting is a key forum to engage with shareholders.

Employees

HK Electric's Joint Consultation panels form an important conduit for effective communication and collaboration between the company and its employees, holding twenty meetings in 2015. A workshop addressing win-win communication was organised for panel representatives and chairmen to help strengthen collaborative partnership through team building exercises and learning activities.

Staff engagement at Australian Gas Networks (AGN) is managed through a uniform, ongoing employee survey process.

Suppliers

Our supply chain is an integral part of our business activities, playing a vital role in enabling us to achieve our performance and environmental objectives. We treat the selection and ongoing management of our bank of suppliers very seriously, providing supervision, training and support to ensure they adhere to our own high standards.

HK Electric has a green purchasing policy and in 2015 it inspected fuel suppliers' sites to ensure compliance with its own procurement standards. Our Australian associate SA Power Networks (SAPN) began developing a Sustainable Procurement Action Plan to incorporate environmental risk assessment processes and environmental criteria into supplier contracts.

Regulators

The Group, through its associates and joint ventures, operates in the power sector of over nine markets across the globe where they are subject to local and international law. The Group complies with global and regional laws as well as with the national laws of the countries in which we operate. We are sensitive to local sentiment, needs and practices and take all reasonable steps to incorporate these considerations into our actions.

Workplace Quality

Working conditions

The skill and dedication of our employees is central to our sustained success and we aim to offer the best working environment across Group companies: challenging, innovative, collaborative and dynamic. In order to attract and retain the best employees our associates and joint ventures run open recruitment practices with graduate and apprenticeship programmes, formal training support, on-the-job development, attractive remuneration and a planned career path. We encourage a healthy work-life balance among our employees.



NGN wins three awards at the inaugural UK Employee Experience Awards 2015.

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At the 2015 UK Employee Experience Awards NGN won awards in the employee insight and feedback, employee engagement, and inspirational manager categories.

In Australia, CitiPower and Powercor extended its successful Never Compromise Safety App to include a 'Working Alone' section to support employees working alone on operational tasks. The extension reduces administrative overhead and enables faster response in case colleagues working alone in the field need assistance. Graduates across the country voted SAPN the best graduate employer in Australia for the second year in a row in the Australian Association of Graduate Employers awards.

CitiPower and Powercor ran courses to increase awareness of mental health issues and offer a support system for colleagues. Employees were trained to identify and aid colleagues needing help in this regard. The schemes proved successful with employees coming forward for additional training and proactively referring others for off-site counselling.

HK Electric undertook a number of initiatives to improve the indoor air quality of its office buildings to ensure a healthy working environment for staff. In 2015, three of its major office premises obtained Excellent Class indoor air quality certifications from the Government.

Health and safety

Each of our associate and joint venture companies is required to establish and adhere to appropriate health and safety strategies, policies and procedures relevant to its operating market. However our health and safety ethos goes further than that. We have well-established and consistent reporting and training procedures embedded across all our operating companies and work



UKPN's Managing Safety course provides certified training on working practices.

on a policy of continuous improvement. Our associates have received awards and government incentives in recognition of their health and safety track records.

Across our 14,800 employees at our operating companies in Hong Kong, the UK and Australia we incurred just 18 lost time injuries (LTIs) during the year, testament to the high safety standards maintained across our operating companies.

In Hong Kong, a group-wide health and safety seminar was jointly organised by the Group in conjunction with Cheung Kong Infrastructure in order to provide updates and instill best practice at the Group level.

UK Power Networks (UKPN) led the sector in the UK with its lowest ever number of recorded LTIs in 2015, resulting from initiatives such as a behavioural safety training and coaching programme covering all front line staff. Focussed incentive schemes were offered to each front line team linked to its overall safety performance.



NGN officials collect an award at the Carlisle Considerate Constructors Scheme in the UK.

WWU was lauded for its industry-leading safety processes by the Health and Safety Executive, receiving an 'exemplar' rating in the management of accident safety and leadership. WWU was granted approval for its safety case across the entire eight-year R10-GD1 regulatory period, the only network to go through this process in the UK. NGN won two awards given by the Considerate Constructors Scheme reflecting the company's ethos of concern for the public and colleagues.

In Thailand, Ratchaburi Power Company (RPCL) received a number of national awards for its health and safety performance. These included the national occupational safety and health (outstanding award) 2015 in the 29th National Safety Week, the zero accident award from Department of Labour Protection and Welfare, and the certificate of safety (outstanding) in honour of HRH Princess Maha Chakri Sirindhorn.

Development and training

We aim to retain a motivated workforce by supporting the development of our employees at all levels. We constantly review and fine-tune our training offering to ensure that we equip our people to deliver current business goals while preparing them for the changing requirements of the future. We aim to offer opportunities for personal growth in order to encourage the development of the next generation of leaders.

At Dutch Enviro Energy Holdings B.V., which in turn owns AVR-Afvalverwerking B.V. (AVR) in the Netherlands, 2015 saw the introduction of a new training framework that was applauded by the auditing board. The framework is aligned with required certification schemes in the Netherlands, providing necessary coaching to close any knowledge or skill gaps. During the year a new service desk for energy clients was set up and provided opportunity for experienced employees to change their roles and serve clients direct. The selected employees attended a two-week front office training course.

SAPN offers a scheme of nationally-recognised accredited training and apprenticeship that surpasses industry requirements. During 2015 there were 168 apprentices in training and a further 25 engineering and IT graduates participating in a three year development programme. AGN conducted refresher training courses for its staff.

First aid training in action at WWU.



HK Electric ran the “Positive Workplace” programme to encourage employees to develop and maintain a healthy lifestyle. Apart from year-round calendar of informative seminars on physical and psychological health it also included staff outings and group activities. The popular HK Electric Institute continued to offer a range of technical courses taught by retired colleagues and outside experts, providing 3,876 training hours. 98 young graduate employees received a range of technical, personal development and teamwork courses to be equipped for a strong start in the workplace.

WWU offers training that addresses the individual development needs of its people and is tailored to address their specific target areas of development. In 2015 a first line manager traineeship scheme was introduced to develop the managers of the future by giving them valuable on-the-job experience in roles which otherwise would be unachievable. WWU’s focus on learning and development led the company to be selected as a finalist in the 2015 Personnel Today ‘excellence in learning & development’ award.

Labour standards

The Power Assets Equal Opportunity Policy formalises our commitment to provide all our employees with a workplace that treats everyone with respect and equality, without any form of discrimination, creating a harmonious, open, supportive, safe and healthy work environment. Our overall approach to labour standards is in line with best practice.

Environmental Protection

We are committed to protecting the environment and supporting sustainable development by conducting our business in an environmentally responsible manner. Each of the Group’s operating companies have their own environmental policies which aim to continuously improve our performance and minimise the impact of our operations on the environment while addressing global concerns about climate change.

Emissions

The global energy business is constantly evolving and with the advent of new technologies it is now possible to produce and distribute energy with a lower environmental impact than ever before. In tandem, social and regulatory awareness of emissions is at its highest level around the world with markets such as mainland China, Hong Kong and the UK pursuing

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aggressive targets to lower emissions across the board within the next decade. The Group adopts a policy of continuous improvement with regard to emissions, seeking to surpass regulatory targets, share best practice across operating companies, and strike the right balance between investment and environmental performance.

The Group's associate and joint venture companies include a number of renewable energy businesses, including wind farms at Dali and Laoting, mainland China; the Lamma wind power and solar power systems in Hong Kong; and the newly acquired Iberwind wind energy business in Portugal. The Group's renewable businesses have a total installed capacity of 783 MW; and generate enough electricity and heat to offset 1,241,000 tonnes of carbon dioxide emissions.

In mainland China the three coal-fired plants in Jinwan, Zhuhai and Siping significantly improved their emissions performance to achieve strict new emissions targets. All three plants completed comprehensive retrofits of emissions control equipment and succeeded in reducing emissions of sulphur dioxide, nitrogen oxide and particulates. The Jinwan power plant was particularly successful, bringing non-carbon emissions to almost zero and acquiring the status of an 'Environmental Demonstration Project' in Guangdong province.

HK Electric progressed its plans to install a new gas-fired unit at Lamma Power Station that would significantly increase its natural gas-fired generation capacity to meet new emissions targets. The unit is expected to be commissioned by 2020. Other emission control measures include emissions reduction equipment at Lamma Power Station, deployment of electric vehicles and minimising its own energy use. Through these efforts the company has reduced overall emissions, including sulphur dioxide, nitrogen oxide and particulates by 40% to 90% since 2008.



Construction commences on HK Electric's L10 gas-fired unit.

In order to support the Government's target of reducing greenhouse gas emissions by 80% by 2050, UKPN carried out energy audits at various buildings. The audits identified energy savings with the potential to reduce their emissions of carbon dioxide by 11%.

Use of resources

The Group uses the 4R (reduction, reuse, recycling and recovery) model to underpin its approach to resource use. Wherever practicable we aim to reduce waste or reuse it. We recycle whenever we can, acknowledging that there are economic and environmental costs associated with waste collection and recycling. We try to recover materials or energy from waste which cannot be reduced, reused or recycled.

AVR, our energy-from-waste business in the Netherlands, sourced and incinerated 1.7 million tonnes of combustible household and commercial waste in 2015, preventing the creation of landfill and also generating clean electricity, steam and heat. It initiated the process of reusing the bottom ash generated during incineration for the construction industry and progressed even further along the path towards 'zero waste'.

Dali wind farm is a key part of the Group's renewables portfolio.

WWU, NGN and AGN continued with their extensive programme of replacement of old gas mains, which are susceptible to leakage. Replacement of the mains with modern PVC pipes improves efficiency and waste is much reduced. Between the three operating companies over 1,400 km of old mains pipes were replaced.

WWU manages approximately 160 former gas production and historically contaminated sites and works closely with local authorities, conservation agencies and nearby residents and businesses. The company has gone above and beyond its legal obligations to respond to community needs, combining its work with environmental protection for riverbanks with a range of features to preserve and improve habitat for local wildlife such as otters and kingfishers.

HK Electric implements a range of energy-saving and carbon-reduction efforts across its operations. Lamma Power Station collects rain water and plant processing water for reuse, recycling more than 110,000 m³ of water during 2015. Recycling measures are in place at all the company's premises such as "centralised rubbish bins" at its offices to reduce the production of general waste.



SAPN power poles painted with local scenes lend colour to the streets in Goolwa, South Australia.

Operating Practices

Supply chain management

The Group's operating companies have a supply chain consisting of contractors, service providers, fuel and equipment vendors and many others. We engage with suppliers fairly, transparently and ethically. We expect that they adhere to the same high social, ethical and environmental standards that we do. Our associates

WWU distributes alarms and information to alert householders to dangers of carbon monoxide poisoning.

and joint ventures take all reasonable efforts to conduct appropriate inspections and checks, and also offer our suppliers training and induction.

In Australia, SAPN is a member of the ECO-Buy programme, which aims to increase the use of sustainable products and services.

UKPN's collaboration with its contractors won it commendations for supply chain excellence at the Construction News awards in June 2015.

Product responsibility

Our products and services are among the fundamental building blocks of modern life and industry. As a result we take product responsibility very seriously. The reliability, safety standards, environmental impact and efficiency of our supply all fall under the umbrella of product responsibility. To attain the highest standards, we focus on innovation, proactive maintenance and speedy remedial action when faults are identified.

HK Electric maintained its world-leading reliability record of over 99.999% for the 19th consecutive year, making it one of the world's most reliable electricity suppliers. Through its Smart Power Fund and Smart Power campaign the company supported and encouraged consumers reduce power use through subsidies and education. The Happy Green School initiative incentivised schools for promoting energy efficiency and reducing their carbon footprint.

WWU led the industry to increase awareness of the dangers of carbon monoxide (CO) and distributed over 3,800 CO alarms in 2015. The company is also seeking to introduce energy legislation regarding the use of CO alarms in private rented accommodation.





Cyclists participate in CitiPower and Powercor’s inaugural Tour de Depot charity cycling series.

Anti-corruption

Power Assets adheres to a formal anti-bribery and anti-corruption policy based on the zero tolerance principle. Any form of fraud 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.

Major contractors of some associate and joint venture companies were interviewed by the Group’s internal auditor during the year to ensure that a fair procurement environment exists, and the bidding process is open and transparent.

Community Involvement

The Group contributes to the economic and social well-being of people in the countries where we operate to foster the progress of our communities and improve access to opportunities for all. Our social involvement initiatives are conceived and implemented at the local level. We partner with governments, businesses, non-governmental organisations and communities to first understand their needs and then to develop initiatives that will help remove economic barriers and deliver measurable and lasting results.

Community investment

In the UK, group companies worked to help deprived communities gain access to energy and heat. UKPN created innovative ‘heat maps’ to quickly identify power cuts affecting communities which potentially require additional welfare support. WWU is addressing its social priorities on tackling the rising cost of energy and providing services to vulnerable customers through a hardship fund to help customers who have difficulty affording remedial works at home. WWU also entered into a partnership with Age Cymru, a leading charity for elderly people in Wales, to support older people to install CO alarms and provide other practical help via a ‘handy van service’.

SAPN employees mark 8 years of support and A\$500,000 in donations for the Cancer Council.



In Hong Kong, the University of the Third Age (U3A), co-founded by HK Electric and the Hong Kong Council of Social Service, celebrated a decade of bringing retired people together using the principles of “self-initiating, self-learning, self-teaching and self-administering”. U3A members organised, taught and attended 512 courses in 2015, and contributed their time to help others in the community. Eleven retirees were honoured as outstanding third age citizens at an award presentation ceremony in April for their dedication to lifelong learning, leading a healthy lifestyle and serving their fellow citizens. During the year, the volunteers visited approximately 1,000 elderly at home under the new CAREnJOY programme.

In Australia, SAPN worked to promote participation in sport at elite levels while encouraging people to incorporate movement into their daily lives. Employee volunteerism through the SAPN Employee Foundation remains the heart of SAPN’s work in the community. Key causes supported include the Cancer Council SA, Mary Potter Hospice and Hutt St Centre, however staff are also actively encouraged to volunteer or fundraise for any causes they are passionate about.

CitiPower and Powercor launched the inaugural Tour de Depot charity cycling series to increase public engagement and build employee pride. The event was extremely successful and raised A\$175,000, which was donated to three local charities.

RPCL is actively involved in the neighbouring communities. It participated in a safety campaign in



School students understand the techniques of basic first aid at an RPCL training course.

honour of HRH Princess Maha Chakri Sirindhorn, offering first aid training to students of 27 schools around the power plant in Ratchaburi. It also participated in a scholarship project to support 1,000 students. During the year, it ran free eye clinics for patients in the region.

In New Zealand, Wellington Electricity Lines is involved in providing consumers with vital information on safety and vegetation management, as well as improving consumers’ awareness of their local mains supply. In order to deter vandalism, it commissioned local artists to paint murals on substation buildings.

In the Netherlands, AVR welcomed more than 400 high school children, policy makers and government personnel at its facilities to learn about waste-to-energy. Every month the company tracks the number of perfect days of operation achieved and donates a corresponding amount to charity.



Policy makers and government personnel visit AVR’s facilities to learn about waste-to-energy.