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CK GROUP'S FIRST CLIMATE ACTION CONFERENCE

The first CK Hutchison Climate Action Conference took place in February, assembling the global leadership of the CK Hutchison Group. Their mission was clear and it came from the top. Victor T K Li, Chairman of the CK Group, committed the Group to the pursuit of net-zero status on greenhouse gases (GHGs) by 2050. The wheels are already turning. As Mr Li said in this year's [Sustainability Report](#), "2022 was a defining year in the Group's approach to action on climate change."

Commitment and clear vision demand accountability. Frank Sixt, the Group Finance Director and Deputy Managing Director of the Group is responsible for adding up the numbers across the Group. But as the Chairman of the Sustainability Committee, he also adds up the carbon footprint of CKHH companies with an eye to shrinking it to achieve our emissions reduction plans.

Mr Sixt articulated a clear statement of purpose: "We need to do the right thing; it's not optional." There are many good reasons to run the Group with the highest ESG (environmental, social and governance) standards, from employee and customer engagement to using ESG as a lens for new business opportunities. From Mr Sixt's financier perspective, he pointed out that debt and equity capital markets' interest in ESG has "catapulted" in recent years.

But at the heart of it, it's the right thing to do.

MEASURE IT

The maxim "if it matters, measure it", applies here in spades. The Group has announced new emissions reduction targets including reducing emissions by 50% by 2035 versus a 2020 baseline, as well as the long-term pursuit of net-zero emissions across its value chain by 2050.

Net zero is the idea that a company (in this case) can zero out its greenhouse gas emissions. This can be by reducing energy generated from carbon-emitting sources, reducing materials and energy use in processes

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or, perhaps in the future, through carbon capture. Organisations can also use carbon offsets (for example, paying for tree planting) to remove carbon from the atmosphere to balance out emissions caused as part of conducting business.

Several of the Group's core businesses have also committed to having their underlying targets validated as science based by the Science Based Targets initiative (SBTi). Targets are considered science based if they align with the latest climate science assessment of what is necessary to meet the goals of the Paris Agreement, specifically pursuing efforts to limit global warming to 1.5°C.

Companies can have an impact across Scope 1, 2 and 3 emissions. Scope 1 emissions are those generated directly by companies, eg, emissions associated with fuel combustion in boilers, furnaces and vehicles. Scope 1 also includes "fugitive emissions" from refrigeration, air conditioning, fire suppression equipment and industrial gases. Disposal of these units often releases potent GHGs, such as hydrofluorocarbon (HFC), into the atmosphere.

Scope 2 emissions are indirect emissions from purchased electricity, steam, heat and cooling.

Scope 3 targets require companies to work upstream, with suppliers and partners, and downstream, with their customers and investees, as they try to reduce their entire value chain emissions impact.

Edith Shih, Executive Director and Company Secretary of CK Hutchison, led the discussion among senior leadership from Hutchison Ports, CK Hutchison Group Telecom and A.S. Watson.

CLEANER PORTS FOR ALL SORTS

Hutchison Ports' massive operations give it a unique opportunity *and* responsibility to influence not only its own emissions but also those of a range of transportation partners across the multi-modal spectrum. As pointed out by Clemence Cheng, Executive Director, Hutchison Ports; Managing Director, Europe; Chief Executive Officer, HPUK & Port of Felixstowe, they can contribute to reducing the Scope 3 emissions of their customers (like shipping lines) as well as their Scope 1 and Scope 2 emissions. Indeed, customers are demanding it.

Working off a base of 2021 emissions, Hutchison Ports expects to reach net zero by 2050. They are reducing Scope 1 emissions by replacing diesel-powered port equipment and vehicles with electric alternatives (or other clean energy equivalents). They are also replacing mobile diesel generators with electric power supply from local electricity grids.

Hutchison Ports established a policy to eliminate the purchasing of diesel-powered internal movement trucks by 2024. Currently, over 60% of their rubber-tyred gantry cranes are already electric. Other measures such as providing shore power to vessels berthed at ports will reduce those vessels' emissions.



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CALLING ON GREEN ENERGY SOURCES

Smartphones are omnipresent in the lives of people in modern economies, but endless cycles of charging phones and reliably zipping megabytes through the air uses massive amounts of energy.

Benoit Hanssen, Co-CEO of Wind Tre, said that increasing demand is only going to mean increasing energy usage – up to 40% more once a system delivers the benefits of 5G technology. In Italy, Wind Tre is among the top 10 of all Italy's energy consumers, serving about one-third of all Italian people and businesses. They can trade green certificates with companies with a surplus of green energy. They are aiming to produce more of their own green energy (eg, via small solar photovoltaic (PV) farms) and are using almost 30% renewable energy at present. The target is net zero by 2030.

Robert Finnegan, CEO of 3 UK and 3 Ireland, said interest from investors picked up dramatically two years ago, along with customers and 3 employees, where there is particular interest from millennials. 3 UK and 3 Ireland are targeting energy usage in their radio antennae networks and data centres. Replacing 2G and 3G networks with 4G networks also helps a lot; 4G is 4.7 times more power efficient than 3G.

TACKLING SCOPE 3 EMISSIONS MEANS PARTNERSHIP

A.S. Watson has a huge, multifaceted business with a strategy in place to address GHG emissions across Scopes 1, 2 and 3. From headquarters to warehousing to retail outlets, energy must be saved and product impact considered and addressed. Malina Ngai, Group COO of A.S. Watson and CEO of A.S. Watson (Asia & Europe), outlined how the retail group is tackling emissions at each level across more than 16,300 stores (and climbing) off a 2018 baseline. But 94% of the group's emissions are accounted for in Scope 3; that means that the bulk of work will need to be done with suppliers and post-sales (ie, with customers).

“ There is particular interest [in energy efficiency] from millennials. ”





Delivery trucks and refrigeration units are major contributors to Scope 1 emissions which need to be measured and urgently reduced. The use of greener refrigerants and electric vehicles (EVs) will be crucial here. It also means switching to renewable energy sources in the retail group's European business units.

Scope 2 means delivering on energy efficiency in stores, warehouses, manufacturing plants (eg, Watsons Water) and offices. A.S. Watson is targeting a 50.4% reduction in Scope 1 and 2 emissions by 2030.

Scope 3 is 'the Big One' for A.S. Watson. Around 200 larger suppliers, representing 80% of Scope 3 emissions, will be the main partners for collaborating to reduce GHG emissions. Suppliers are expected to show how they are using greener transportation, greener refrigerants and greener energy (including improved efficiency) from a science-based starting point. For products, it means reducing packaging waste, using recycled content or innovative means such as using plant-based packaging. Watsons will need to favour those suppliers that can deliver on achieving SBTi targets. Downstream, a wide range of in-store measures are promoting green behaviour by customers and the recycling of products.

SOMETIMES YOU NEED A HELPING HAND TO NET ZERO

For over 60 years, ista has worked with companies to help them measure their usage of energy, water and other consumables so that they can target reduction of these inputs.

Digitisation, automation and EV adoption enable companies to tackle Scope 1 emissions. Scope 2 emissions can be addressed by either using renewable energy or securing offsets from other companies with a surplus of generated green power. Scope 3 emissions in "last mile" maintenance of equipment can be diminished through digitisation and remote monitoring, thereby reducing support costs and eliminating travel time to check readings.

Recently, ista has worked with A.S. Watson's Superdrug, Savers and The Perfume Shop to reduce energy and water usage.

“ Watsons: 94% of the group's emissions are accounted for in Scope 3; that means that the bulk of work will need to be done with suppliers and customers. ”

ON THE FRONT FOOT TO REDUCE OUR CARBON FOOTPRINT

Mr Sixt made it clear: “We can’t be on the back foot” when it comes to addressing the Group’s contribution to climate change and global warming. CEOs of all major business units have GHG emissions reduction as a major goal. Customers, investors and employees that are the driving force behind CK Hutchison all live together on one planet; together we can create the future we all want to see.