

The Felixstowe Dock and Railway Company

Statement of corporate governance arrangements

The company's board of directors meets regularly to review and direct the business, to set strategic direction and to discharge its responsibilities. It is informed by a variety of information including budgets and forecasts, operational performance reports and other relevant materials. There are appropriate thresholds of authority at which both the board and its individual directors operate. The board's membership includes those with executive positions in other group companies who can bring expertise and coordinated decision-making from these roles.

The board delegates day-to-day management to an executive team which undertakes the operational management of the group and meets frequently for the purpose. In turn the senior management team, from key business functions and departments, provides assistance and meets at least fortnightly to review detailed business performance and coordinate operational activity and actions necessary to meet performance targets set by the executive and approved by the board.

The company also relies on a number of specialist committees in specific subject areas to analyse, inform and advise on subject-specific matters, as noted in more detail on page 10.

The company is engaged in the provision of port operations and associated services in the United Kingdom, trading as Port of Felixstowe (the "Port"). The company is an indirect majority-owned subsidiary of CK Hutchison Holdings Limited ("CKHH", and together with its subsidiaries, the "CKHH Group"), a company whose shares are listed on the main board of The Hong Kong Stock Exchange. The company adopts and applies high standards of corporate governance aligned to the needs and interests of the CKHH Group. It believes that an effective corporate governance framework is fundamental to promoting and safeguarding the interests of shareholders and other stakeholders and enhancing shareholder value. For the financial year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2018 applicable to companies reporting for financial years starting on or after 1 January 2019, the company has adopted the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles"), as an appropriate framework for disclosure of its corporate governance arrangements. The company's reporting under the Wates Principles is set out below.

Principle 1 - Purpose and leadership

The principal objective of the company is aligned with the strategic goal of CKHH, to enhance long-term total return for all its shareholders. To achieve this objective, the HPUK group focuses on achieving recurring and sustainable earnings, cash flow and dividend growth without compromising the group's financial strength and stability. Technology transformation remains a key initiative of the group to capture new cost and revenue opportunities in all businesses. The group is increasingly focussed on sustainability and delivering business solutions that support social and environmental challenges, such as enabling the transition to a net-zero economy.

The group has four strategic pillars:

- **Our Business:** the group will grow volumes and market share by investing in technology with the aim to deliver high levels of productivity and customer service. The group will work together with customers and stakeholders to deliver consistent service levels;
- **Our People:** it is the group's employees that deliver the service to its customers. The group recognises the importance of gender diversification which will increase the blend of skills and experience that are vital components of future operations. The group is committed to the implementation of key initiatives to improve the gender balance across all areas of the business;
- **Our Environment:** the group's vision is to become the world leader in delivering the cleanest port operations possible. With the support of Hutchison Ports global environmental program the group will continue to focus on ensuring it acts in a responsible and sustainable manner; and
- **Our Safety:** the aim is to shift the group safety culture from compliance to one of self-assessment, recognition and risk management. The group will observe minimum safety standards and adopt a zero-tolerance approach to unsafe practices that may harm employees and the organisation.

The company adopts an open and transparent communication style summarised in four workplace objectives: creating an engagement culture that promotes diversity and wellbeing; delivering change to support the company's transformational journey; building our skills and capabilities; and developing inspirational and effective leadership.

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The board of directors (the “Board”) is appointed by the shareholder and the ultimate parent entity CKHH. The views of shareholders are clearly communicated through various channels to the Board. Whilst the Board is responsible for the overall direction and management of the company, to ensure effective day-to-day management, it has selected the company’s local Executive team (the “Exec”) to support internal processes and delegated signing authority to certain senior officers and employees, generally based on financial thresholds. In addition, to maintain an appropriate level of control over strategic and key business decisions, the Board has identified certain matters that only it can approve. The Board regularly reviews the signing authority and matters reserved for Board approval to ensure they are appropriate and relevant.

The Exec and members of the Board meet regularly to discuss and review strategies, performance, business plans, budgets, and risk profiles of the company. Whilst the Board is charged with the task of promoting the long-term success of the company and making decisions in the best interests of the company, the Exec is accountable for the conduct and performance of the company within the agreed strategies. The Board together with the Exec instil and uphold the company’s objectives and strategies through the day-to-day operations and management of the company.

Strategy and objectives are communicated across the business by various means and at different levels of detail depending on the audience and needs. A decision-making framework exists outlining the forum that sets out the strategy and purpose, those empowered to execute the strategy and those who are informed of the progress of execution against the plan. The process is managed through the operation of a centralised governance board whose remit is to assure that the collective company change plan delivers against the overall company strategy. The governance board has a view of all business and technical change and is made up of senior level personnel from across the key directorate groups.

The culture and behaviours that are demonstrated include being customer led, evidence based, providing equal opportunity and people development, and working collaboratively.

The Exec leads on establishing transparent policies in relation to raising concerns about misconduct and unethical practices and embeds this education and awareness through periodic mandatory training modules which include Anti-Bribery and Anti-Corruption, Competition Law, General Data Protection Regulation, Cyber Security, Equal Opportunities and Health and Safety in the workplace.

Principle 2 - Board composition

In alignment with the Board Diversity Policy of CKHH, the company recognises the benefits of a Board that possesses a balance of skill sets, experience, expertise and diversity of perspectives appropriate for the strategies of the company. The company believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. The Board combines a diverse set of skills and expertise which include business management, strategic planning and risk management, financial reporting, and industry knowledge and experience.

As at 31 December 2022, the Board comprised the following five directors:

Sing Chi Ip is the chairman of the Board (the “Chairman”) and has been a director of the company since 2014. He has been Group Managing Director of Hutchison Port Holdings Limited, the global ports division of CKHH Group, since 2014. Mr Ip has been with Hutchison Ports since 1993 and was the founding Chairman of the Hong Kong Container Terminal Operators Association Limited. He was a member of the Hong Kong Port Development Council from 2009 to 2014 and has over 35 years of experience in the maritime industry.

Frank John Sixt has been a director of the company since 2016 and is Group Finance Director, Deputy Managing Director and an Executive Director of CKHH. He had previously been an Executive Director of Cheung Kong (Holdings) Limited from 1991 and became a Non-Executive Director in 1998 until June 2015. He holds a Master’s degree in Arts and a Bachelor’s degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada.

Clemence Chun Fun Cheng has been a director of the company since 2001 and is Chief Executive Officer (“CEO”) of HPUK and chair of the Exec. He is Managing Director of the Hutchison Ports Europe Division, which includes the UK operations alongside European operations in the Netherlands, Poland, Spain, Germany, Belgium, Sweden and operations and developments in Egypt. Mr Cheng has over 20 years port industry experience with Hutchison Ports. He is also an Executive Director of Hutchison Port Holdings Limited. He serves on a number of industry bodies and as a director of the UK Major Ports Group. Mr Cheng is a Chartered Accountant whose early career included investment banking.

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Andrew Steven Lawrence has been a director of the company since December 2019. He was appointed Director of Corporate Affairs for Hutchison Whampoa (Europe) Limited, the European headquarters company of CKHH, in July 2012. His responsibilities were extended to Director of Corporate Affairs and Communications in January 2019. Prior to joining Hutchison Whampoa (Europe) Limited, Mr Lawrence worked in the British Civil Service. He holds a Master of Arts degree in Modern and Medieval Languages from the University of Cambridge and a Master of Business Administration degree from Imperial College London.

Simon Richard Mullett has been a director of the company since December 2019 and company secretary since 2010. He is Chief Financial Officer for the Europe Division of Hutchison Ports and has over 20 years industry experience with Hutchison Ports. He has held a number of positions with the group and now has a leading role in business development in Europe. Mr Mullett is a Chartered Accountant whose previous experience included audit, taxation and corporate transactions.

The positions of the Chairman and CEO are held by different individuals. The Chairman leads the Board and is responsible for its overall effectiveness, promoting open debates and facilitating constructive discussion. The Board, which comprises experienced and seasoned professionals and the management of the CKHH Group, collectively demonstrate a high-level of understanding relevant to the business needs of the company and stakeholder interests. The Board considers its current size and composition constitutes an effective board appropriate to meet the strategic needs and challenges of the company and ensure effective decision-making. The company has not appointed any independent non-executive directors nor created any board committees but is mindful of reviewing the need and making appropriate appointments as and when warranted.

The CKHH Group and the company arranges, provides and facilitates continuous professional training, this includes seminars, management briefing sessions, professional development and training days. There are regular CEO summit meetings, Hutchison Ports UK Executive offsite briefings and senior management courses in business-related topics and leadership, mentoring, coaching and development. The company has formal coaching and mentoring programmes alongside an internal leadership programme. These initiatives help ensure that the Board, Exec and senior management are familiar with the current commercial, legal and regulatory environment in which the company operates.

The Board has established an evaluation process to consider its composition, the information presented to it, Board processes and effectiveness, Board member development, and Board accountability. The Board will consider the results of the evaluation process with the aim of continuing improvement.

Principle 3 – Directors responsibilities

The Board and each director have a clear understanding of their accountability and responsibilities.

The Board is committed to achieving and maintaining the high standards of corporate governance practices of the CKHH Group, taking into account the business and regulatory frameworks within which the company operates. Business plans and budgets are prepared annually by management of the company and then subject to review and approval by the Board and the executive management team of CKHH as part of CKHH's five-year corporate planning cycle. The Exec and senior managers are also responsible for preparing monthly management reports on the financial results and key operating statistics of the company. Monthly meetings are held with the executive management team of CKHH to review these reports, business performance against budgets, forecasts, significant business risks and strategies of the company. Board meetings are held quarterly to consider and discuss issues and approve items reserved to the Board.

The Board is responsible for promoting the long-term success of the company and making decisions in its best interests in line with the agreed business plans and strategies. Throughout the year, company management provides the directors with updates and other information on the performance, business activities and development of the company. The Board seeks to instil risk awareness across the company's business operations and has put in place policies and procedures, including parameters of delegated authorities, which provide a framework for the identification and management of risks.

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In addition to Board meetings, directors participate in the consideration and approval of significant operational matters by written resolutions with supporting explanatory materials, supplemented by additional information from the company secretary or other executives when required. Except for circumstances permitted by the statutes of the company, a director will abstain from voting on resolutions approving any matter in which they are materially interested. Directors also have full access to information on the company and independent professional advice when desired and they can propose appropriate matters for inclusion in Board agendas or the monthly meetings explained above.

The Board considers all these corporate governance and internal control frameworks and the basis of company leadership together with teamwork and promotion of effective stewardship to deliver long-term value for the company and its shareholders as a whole.

The CEO is responsible for the consideration of the structure, size, diversity profile and skills makeup of the Exec, the progress in achieving the strategic needs of the organisation and meeting the objectives of the company. The Exec is supported by a number of specialist committees which develop and promote specific elements of governance, including:

- Anti-Bribery and Anti-Corruption;
- Business Continuity Management;
- Sustainability;
- Executive Health and Safety;
- IT Security; and
- Internal Compliance and Risk Management.

These all have established terms of reference and membership, and include the CEO and / or members of the Exec. Separately, other committees are established by the Board as and when warranted to handle specific tasks. The Group Management Services of CKHH periodically carries out reviews of company control procedures and risk management and reports to the Board and provides input as and where appropriate to ensure effective and continually improving risk management is in place.

The Anti-Bribery and Anti-Corruption Committee considers bribery risks within the business and updates related policies to ensure these are adequately met. The Business Continuity Management Committee ensures emergency and continuity plans are in place and plans and reviews drills to ensure the business is prepared to respond to a range of potential issues. The Sustainability Committee reviews, amongst other issues, environmental KPIs, net-zero progress, diversity and inclusion KPIs and sustainability issues from across the business. The Executive Health and Safety Committee has an overview of safety performance and reviews safety issues and plans to ensure continued improvement in safety outcomes.

Principle 4 – Opportunity and risk

The company supports the long-term sustainability of its business by regularly reviewing its business models and practices to identify opportunities for improving its performance and creating value for stakeholders. The company reviews external factors that influence the business, including political, economic, environmental, and industrial relations factors. Additionally the company considers market demand, technology and reviews the position of its competitors and customers.

The company adopts an Enterprise Risk Management framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework and CKHH Group reporting. The framework facilitates a systematic approach in identifying, assessing and managing risks within the company, whether of strategic, financial, operational, environmental or compliance nature. Risk management is an integral part of the day-to-day operations and management of the company. There is regular executive dialogue about current and emerging risks, their plausible impact and mitigation measures. On a half-yearly basis, the company is required to formally identify and assess the significant risks its business faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress by the management team of the company and the Board. Risks faced by the company include the reliance on a small number of large customers for a substantial proportion of business, the impact of technology, cyber-security risks and the sustainability of our operations. The Exec seeks to mitigate these risks by maintaining a broad customer base as a common-user operator, upgrading and developing equipment and systems, and seeking and implementing green technology and behaviours.

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In terms of formal risk review and reporting, the composite risk register together with the risk heat map generated from the various risk registers of the core businesses of the CKHH Group (including the company), as confirmed by the executive directors of CKHH, form part of the Risk Management Report for review and approval by the Audit Committee of CKHH on a half-yearly basis. The Audit Committee, on behalf of the board of CKHH, reviews the Risk Management Report and provides input where appropriate to ensure effective risk management.

The company's Internal Control and Risk Management Focus Group plans to meet on a monthly basis to consider and identify risks and risk management actions across areas including finance, safety, security, information technology, business continuity and sustainability. The company's IT Security Committee continues to work closely with the group's information security team, the Department for Transport and the National Cyber Security Centre to develop a programme for the ongoing review of its cyber assessment framework submission. The company implements a number of cyber security initiatives, with an approach set on deterrence, defence and development.

The ports division of CKHH, which includes the company, is implementing a global electrification programme of its vehicles and infrastructure to progressively phase out diesel. The company is planning to develop a green hydrogen hub and centre of sustainability excellence at Freeport East, based at the Port.

The company is progressively introducing clean technology power in a replacement programme for its existing asset fleet, including further electric rubber-tyred gantry cranes and annual replacement of diesel-powered internal tractors with rechargeable battery-powered units.

The company is committed to protecting the environment in which it operates whilst striving to constantly improve its carbon and ecological footprints. The company constantly invests in infrastructure and equipment to keep pace with container vessel size growth as shipping lines pursue supply chain efficiencies, economies of scale and energy and environmental optimisation. A vital component of this plan is a commitment to increasing rail volumes, the most environmentally beneficial mode of hinterland transportation.

Principle 5 – Remuneration

The directors of the company received their remuneration primarily in respect of services provided to other group companies and as a result their respective remuneration details are reflected in the financial statements of those companies.

Under the remuneration policy of the CKHH Group, the remuneration of the directors and senior executives is set by the CKHH Remuneration Committee and determined with reference to their expertise and experience, the performance and profitability of relevant group companies as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Bonus arrangements are determined in accordance with the performance of relevant group companies and the individual's performance within an overall framework approved by the CKHH Remuneration Committee.

Principle 6 – Stakeholder relationships and engagement

The group actively promotes engagement and communication with its stakeholders, including employees, trade union representatives, shareholders and investors, customers, end users, business partners, suppliers, pensioners, regulators, government, community and other representative groups and media partners. The Exec and local management team is in constant contact with customers and end-users of the port's services.

Engaging the group's employees is critical if the business is to be successful in achieving its visions and strategic objectives. The group's values, strategy and objectives are shared regularly with employees via an employee app, briefing events, formal monthly meetings, publications on the intranet, and video updates from Exec and senior leadership team members. The group aims to focus on face-to-face communications where possible but also uses electronic methods to provide messaging and key updates throughout the year and give employees the opportunity to respond.

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The directors and management have regard to the impact on employees when taking decisions, ensuring the people element of any decision is treated with equal importance and focus, for example when considering the introduction of remote-control ship to shore and yard cranes and the improvement this represents to the working environment. The involvement of employees in the performance of the group is encouraged via bonus schemes and the availability of training and advancement opportunities for the best performers.

Creating an engaged, diverse and healthy workforce is an underlying theme for the business. Every business transformation activity has the potential to disrupt the workforce but will also bring opportunities to strengthen engagement, increase diversity and improve wellbeing. Maintaining strong levels of employee engagement will support the move towards a customer led service proposition. The business also has an ageing workforce. Early planning and intervention will help mitigate the risk to workforce sustainability.

The business has a loyal and dedicated workforce but in light of the introduction of new technologies it will be essential to encourage an agile, responsive and flexible workforce with the skills and capabilities to respond to changing requirements. Helping our employees keep fit and healthy continues to be important. New ways to promote and support the wellbeing of employees are frequently considered.

The group actively manages employee health and wellbeing and supports a number of initiatives to promote mental and physical health, and to monitor and accelerate return to work from sickness absence. Employee wellbeing is also encouraged with personal achievement and service performance and the company sets targets, manages individual personal development and performance and encourages employees to achieve their own and business goals.

The ports division of CKHH has continued to focus a lot of its attention on the overall health and well-being of its colleagues and in this regard the global BEWELL campaign has continued to be very successful in helping our people develop mental and physical health. The group also has in place its own local initiatives to support the development and well-being of its people and communities. The long-established Go Green and Dock School initiatives continue to be the cornerstone of local community outreach programmes.

Our people are our strength. We are fully supportive of our colleagues' career journey and development, whilst ensuring that our teams are inclusive, diverse and representative.

The ambition is to have a workforce within our ports that is more representative of the local demographics within which the ports reside. This occurs by fostering a culture that is inclusive and supportive providing a wider range of career opportunities that are accessible to anyone of any background. The benefit to the organisation in having a diverse workforce is clear, having broader perspectives leads to more creative problem solving which benefits not only the organisation but our customers and communities.

In 2018, Maritime UK established a Women in Maritime taskforce to promote gender equality in the maritime sector. In response, HPUK implemented initiatives to promote Women in Maritime which resulted in HPUK being awarded the Women in Maritime Charter status in 2020, making it the first major UK port group to gain such recognition. The Women in Maritime taskforce was expanded in 2020 to become the Diversity in Maritime programme which addresses issues of fairness, equality and inclusivity within the maritime sector.

We practise fairness in our pursuit of technology innovation and digitalisation. Using remote control technology, we can now address gender balance by recruiting more female equipment drivers. We have positively impacted our Diversity & Inclusion capacity building programmes which empower women to assume "gendered roles" and penetrate a traditionally male-dominated field.

The company promotes equal opportunities and enact policies and actions that encourage age diversity and inclusion. Our workplace condemns any form of discrimination or harassment based on race, colour, national or social origin, ethnicity, religion, age, disability, sex, sexual orientation, gender identification, expression, political opinion or any other status as protected by applicable laws.

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The safety culture in the group is paramount and there is a continued shift in mind-set from a compliance culture to one of self-assessment, recognition and risk management. Every activity must be safe, as well as effective and efficient. All safety standards are expected to be observed and a zero-tolerance approach is adopted to unsafe practices that may harm employees.

The company's management team is in constant contact with its customers and end-users of the port's services. From time to time the company carries out a customer survey which provides insights into customer requirements, focus and priorities. When reviewing the need to redevelop berths, introduction of remote control yard and quay cranes and extension of the number of train services to and from the port, the company has regard to its customers' requirements.

The group engages widely with its suppliers both when tendering for services and during the life cycle of contracts. Management and the procurement team work continuously to ensure that suppliers meet the necessary security, environmental and ethical requirements of the group.

There is regular engagement with port users, the community and government departments and agencies. The group is a member of the UK Major Ports Group, the trade association representing most of the larger commercial ports in the UK. Close relationships are maintained with government agencies, departments and ministers at local, regional, national and European levels. The group strives to be a trusted partner for Government and ministers through a positive contribution to the development of public policy on transport, port, maritime and related environmental issues.