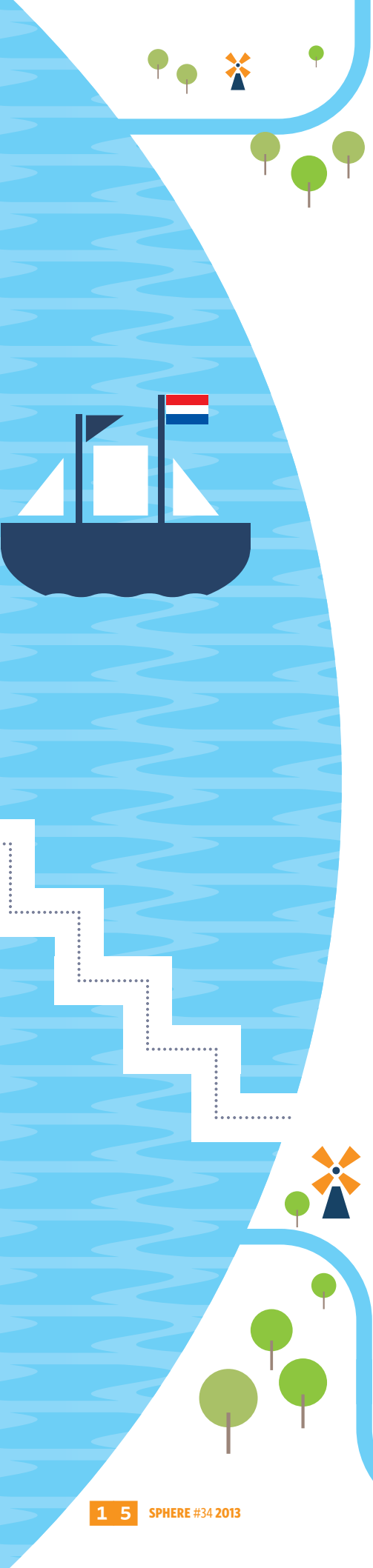


INNOVATION

# GOING DUTCH:

## THE LOWER COUNTRIES AND HIGHER HWL ASPIRATIONS



**I**t is hard to imagine how incredibly dominant the Dutch East India Company was for almost 200 years. Regardless of the small size of the Lower Countries, they were a nation of mighty traders and explorers, unafraid to sail into the unknown – and do business there. The firm, known by the initials VOC in its native Dutch, sent over a million Europeans to Asia to do business, more than all the rest of Europe combined. It created its own armies and armadas and is considered by many to be the first genuine multinational. It was the first company to issue stock.

The tradition of innovation and adventure has stuck with the Netherlands. The innovation has been historically demanded of a small country surrounded by often hostile neighbours and a more hostile sea, all ready to claim the country for their own. Yet the Netherlands has survived and thrived. They may soon dominate clean technologies as strongly as the VOC did Europe-Asia trade.

**KEEPING IT GREEN AND CLEAN**

The Netherlands has had a strong focus on areas of interest to HWL that have driven the Group’s investment there. Energy and waste management are two areas they have excelled in.

Waste management has traditionally been seen globally as a problem to be managed. The Dutch have turned the tables, making it into an asset. They have found cutting edge solutions that just might save the world from its addiction to garbage.

Waste management is a huge strength of the Dutch. Consider this: only three to four per cent of Dutch waste makes it into a landfill every year. Recycling of building waste and demolition stands at an astounding 99 per cent. A variety of disposal and waste reduction plans are in place to good effect. Up to 60 per cent of all materials are recycled back into new materials and into the economy.

The Dutch have become so good at disposing of their waste that they are even starting to take revenue from other countries which will pay them to take it. This is where Hutchison Whampoa comes in. The Group’s new acquisition, AVR Afvalverwerking, takes that garbage from the UK, Ireland, Belgium and from large Dutch cities like Rotterdam, Utrecht, The Hague to Rozenburg and turns it into energy for its clients. This firm has led

the Energy from Waste sector, discovering new ways to harness energy from receiving, separating, recycling and burning trash – all while meeting strict regulations to protect the environment.

**ENERGISING NETHERLANDS**

Energy is another Dutch forte. The small country dominates the renewable energy sector, in no small part due to single minded commitment and clear goals. Bioethanol and biodiesel, processed in Rotterdam, are foci. The Netherlands produces up to 10 per cent of all the European Union’s bioethanol and soon 25 per cent of its biodiesel.

Windmills are one area where the stereotypes do hold – the Dutch still do them well. They compete toe-to-toe with China for the global market. The undisputed leaders in windmill technology, they have a long history with them. Windmills hundreds of years old still function and serve today. They even play a role in holding back the sea, as part of the drainage system that keeps Lower (than sea level) Countries dry. The more modern windmills provide wind energy to electricity grids around the world.

**CONNECTING EUROPE**

The Netherlands, at the heart of Europe, houses the port of Rotterdam and is home to HWL’s port operations and Europe’s busiest port. HWL’s own trading distribution centre in Heteren covers distribution to the entire Benelux region and part of Germany, supporting our three retail chains. The Dutch know how to organise a commercial venture and HWL has been the beneficiary.

Read on to discover where HWL has invested into the Netherlands. With over 20,000 of the global HWL total of nearly 260,000 staff members, the Dutch punch above their weight. Not only is HWL making profitable investments in the Netherlands, it is making strategic plays into core sectors like retail and ports, as well as into technology leaders with solutions that can be applied to the world over.

AVR, the newest acquisition, in particular has technologies and systems that could be applied to jurisdictions struggling with issues surrounding their waste disposal and energy import requirements. For over a millennia, the Dutch have kept ahead of their peers and performed well beyond what their numbers and circumstances would have suggested what was possible. HWL is proud to be a part of that continuing quest for excellence – Dutch style.



## GOING DUTCH: THE LOWER COUNTRIES AND HIGHER HWL ASPIRATIONS



### RETAIL

## Dutch Shopping Style

**T**he beauty of the Dutch countryside is legendary. The beauty of their people is even more so. The undisputed tallest people in the world, *Sphere* knows they get some help from HWL's beauty retail chains.

Two health and beauty companies and a luxury perfume and cosmetic chain comprise A S Watson's High Street presence in Lower Countries. While the business of beauty may be old, staying competitive means staying on top of the most modern business practices. The Dutch have a demanding eye for aesthetics and enjoy a highly competitive market. In the Netherlands, that means the most modern use of distribution, social media and CSR.

### MOVING THE GOODS

The businesses are extensive, supported by the largest, most modern and most efficient health and beauty distribution centre in the Benelux (Belgium, Netherlands and Luxembourg). The distribution centre is over 68,000 square metres and located in Heteren in the Netherlands. It distributes an average of 650,000 items every day for more than 1,150 retail stores.

The distribution centre is highly mechanical and automated. Products are picked, transferred and packaged swiftly. The advanced semi-automatic systems will deal with medium-sized and small products separately; larger products are handled manually. The centre is also quite unique in a way that it adopts a dynamic system which allows a greater storage density than a normal distribution centre. On top of having separate picking systems to enhance efficiency, there are systems to support backwards integration. For example, the systems will automatically pre-order replacement stock when an item is running low.

But these systems do not just deal with products in the real world. Modern shopping sees consumers gathering information, evaluating options and executing sales in the online and physical world. To get to the top, HWL's retail units have needed to become masters of the virtual world, grasping every possible opportunity online.

### CONNECTING ONLINE

Online marketing is crucial to attract and create loyal customers. Social media is a key element of online marketing. In the Netherlands, around half of the population has Facebook accounts – over 7.6 million users. Kruidvat and ICI PARIS XL have both successfully developed their social media channels to retain their existing customers and promote themselves.

A native Dutch company founded in 1975, Kruidvat expanded its businesses to Belgium creating an empire of over 1,000 stores. It was acquired by A S Watson Group in 2002 and is the biggest drug store offering health and beauty products in the Netherlands. Its long-standing success hasn't stopped it from innovating to master the world of social media marketing.

The Kruidvat Facebook fan page's membership exceeds 125,000 in its home country. These fans provide tips to the company, seek exclusive offers and raise queries online. Kruidvat staff update its Facebook pages daily and offer timely response and proactive solutions to customers. The company makes good use of blogs, forum conversations and other social media channels like Twitter. It once launched a "1 + 1 Free Makeup" promotion on its Twitter site and generated 2,000 tweets a day. While the firm has been recognised within the Group (winning the 2013 ASW Marketing & PR Awards), the real benefits have come in knowing the market and creating real, personal relationships with clients. Rather than a one way sales relationship, the

whole of Kruidvat is engaged with its customer base – its neighbours and countrymen – in a meaningful and ongoing dialogue.

Loyalty is a key element of growing a consumer business. Its loyalty card has been a smash success to enable targeted deals since its introduction in March 2011, with market penetration at 70 per cent of Dutch households. In November, Kruidvat reached the milestone of more than 3 million registered loyalty card members.

ICI PARIS XL was founded in the 1960s in Belgium and operates over 260 stores in the Benelux and Germany. The Dutch have taken to it, selecting it as the Best Perfumery Chain in their country for 10 consecutive years. This year ICI PARIS XL was chosen as the most favoured retail chain in the Netherlands. It has also had to get social media savvy to stay on top.

It has partnered with global beauty brand Guerlain and launched a Facebook campaign to gain more exposure. Participants in the campaign had to upload photos of themselves and take part in voting for a chance to win a trip to Paris. The campaign was a big success and engaged over 10,000 fans.

### WE CARE FOR FAMILIES

Baby care is a tough market where the birth rate is low: only 11 babies born per 1,000 population. Kruidvat is tackling the challenge with extra efforts to target parents. The company runs the Nine Months Fair in Amsterdam every year as an event to connect with new parents. It targets parents-to-be and offers inspiration on baby and child care. Successful in-house brands promote confidence, including Kruidvat's own brand of diapers, selected as the best diaper in the market by Dutch TV critics show *Vara Kassa*. Kruidvat baby food has also been rated as 'Best Buy' from the Consumers Organisation.



ONE IN FIVE BABIES IN THE NETHERLANDS WEARS A KRUIDVAT-BRANDED DIAPER

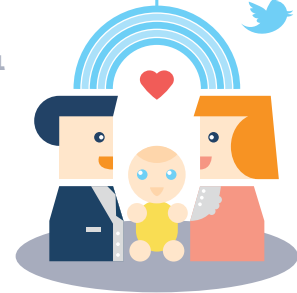


FIVE TIMES IN A ROW, KRUIDVAT IS VOTED TO BE IN THE TOP 3 MOST ESSENTIAL BRANDS IN THE NETHERLANDS

KRUIDVAT IS THE LARGEST PARACETAMOL (PAINKILLER) SELLER IN THE NETHERLANDS



70% OVER 70% OF ALL FAMILIES IN THE NETHERLANDS ARE CUSTOMERS AT KRUIDVAT



## PORTS

# Big, Green, Clean and Lean

### CSR: CARING SELLS RETAIL

Modern corporate image building encompasses more than just an online presence. Effective deployment of Corporate Social Responsibility campaigns is essential for modern brands seeking to connect with consumers.

Trepleister is a drugstore bringing health and beauty to customers. It was acquired by A S Watson Group in 1997 and has over 130 stores in the Netherlands. This year, the company donated the funds collected from selling special plush toys, booster merchandise and used mobile phones to Stichting Opkikker, a foundation helping chronically ill children and their families. Apart from donations, Trepleister staff volunteer in outings organised by the foundation.

Kruidvat also plays a role in charitable contribution. It works closely with the Dutch Cancer Society and raised a total of EUR40,000 (USD53,537) for the Society in 2011 by placing collection tins in stores. Those with membership points on their loyalty cards can convert them into charity-directed cash. In an effort to arouse public interest in charitable participation, volunteers who are most recognised in the public and receive most votes will be rewarded by Kruidvat with a one-minute free shopping spree at the opening of a new store. People compete to do good in their community.

These measures engage the Dutch public to connect personally with a firm that not only sells physical products, but reminds them that their shopping dollars are deployed to make the world a better place.

Whether it is state-of-the-art distribution, a strong command of social media marketing, or a genuine and effective CSR programme, HWL and A S Watson's retail operations in the Netherlands help them to deliver beautiful goods to a beautiful nation every day.

Open the world map and you will see the Netherlands is located at the centre of Northern European shipping. It sits at the Rhine-Meuse-

Scheldt delta, controlling the important waterways to Germany and Central European hinterlands. Port businesses are natural given the strategic location of the country.

Rotterdam was once the busiest and largest port in the world, succeeded only less than a decade ago by Singapore and Shanghai but it is still heading its European counterparts in cargo and shipping tonnage. This Western city of the Netherlands gains the name of the "Gateway to Europe" and has continued to attract overseas investment.

Hutchison Port Holdings acquired Europe Container Terminals (ECT) in 2001. ECT operates three terminals in Rotterdam and handles more than 60 per cent of the containers in the Port of Rotterdam. ECT City Terminal and ECT Delta Terminal have been in operation since the 1960s and 1980s, respectively. The latest star is the Euromax Terminal Rotterdam. ECT handled an impressive 7.7 million TEUs last year and covers an immense 420 hectares of land.

### HI-TECH GIANT

The picture of a sophisticated port with extensive use of Automatic Guided Vehicles (AGV) and robotic cranes fits both the ECT Delta Terminal and the Euromax Terminal Rotterdam.

Once a container ship arrives at the Euromax Terminal, the semi-automatic quay cranes will place the containers on AGV, which will transport the containers between the quay and the stack. Containers will be stacked

automatically and will later be put on the trucks by the automatic stacking crane and some remotely controlled assistance for the last few metres of the loading process.

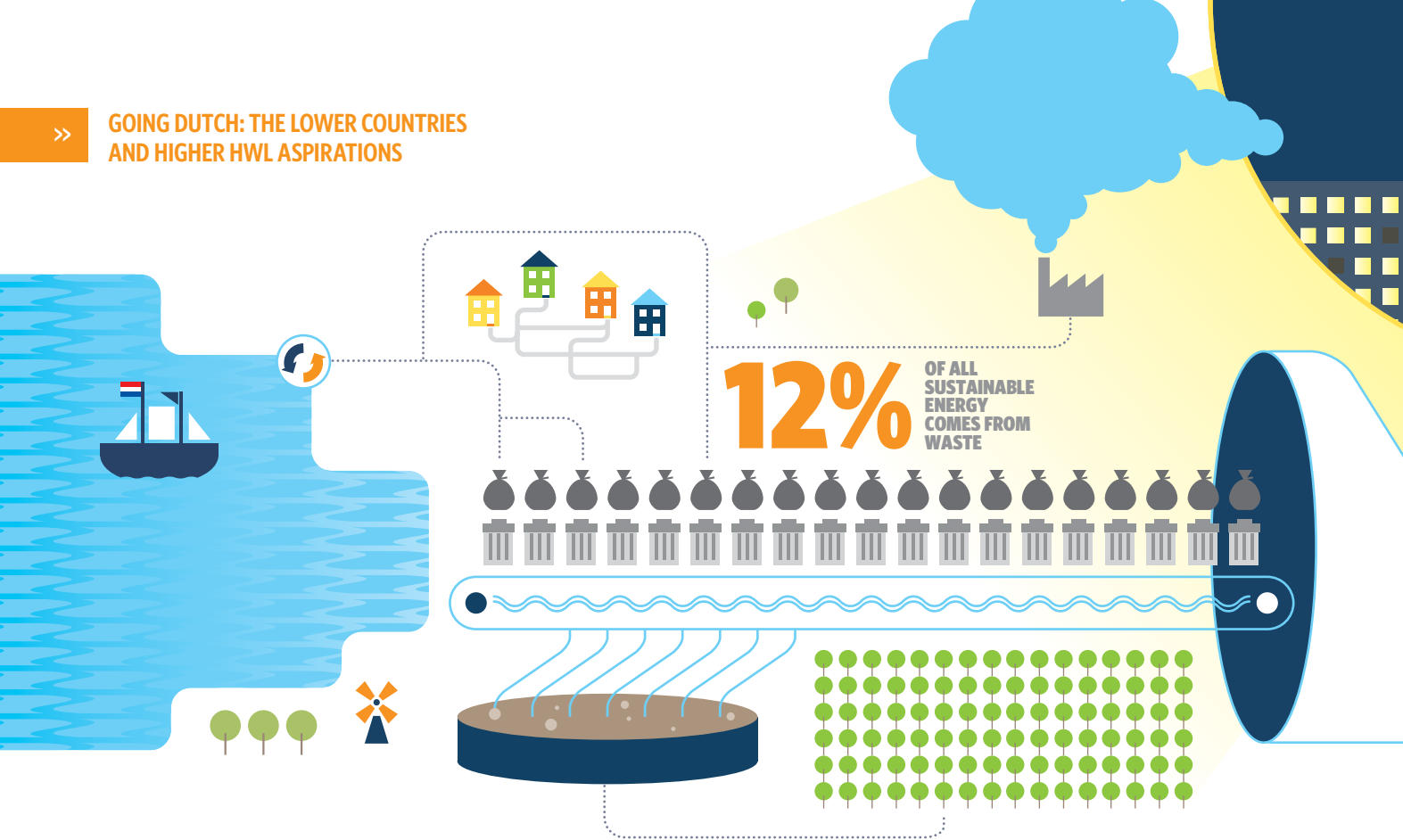
The whole design not only brings efficiency to a whole new level, it has made its green aspirations come true. The investment in highly qualified and motivated staff, automated processes and state-of-the-art electrified equipment, replacing older diesel machines, makes the operations more sustainable. ECT's efforts have not gone unnoticed.

### AND A GREEN GIANT

If ECT is a logistics giant, it's a green one. People know it. Lean and Green is a programme run by Dutch organisation Connekt. Connekt is an industry and government partnership founded to promote GRI compliance in the logistics sector. GRI is the Global Reporting Initiative - a global movement to help corporations monitor their environmental performance and move towards a business more aligned with a sustainable future for mankind. Connekt recognises logistics firms that excel in this area, in particular through their awards programme.

ECT has won the **Lean and Green Award** in 2010 and the **Lean and Green Star** in 2013, meaning it has reduced carbon dioxide emissions by at least 20 per cent over a five-year period. ECT works harmoniously with the environment and is leading in this area among its peers.

The Dutch have a tremendous seafaring and trading tradition backed by the largest port in Europe. HWL, through ECT, is a big contributor to that success story and will be for years to come.


**E N E R G Y**

## Garbage into Gold: AVR's Energy from Waste

**T**he Dutch have a long history of defying the odds through hard work and clever solutions. They have always been merchants and innovators to make the unthinkable happen. The whole country is made possible by making parts of the sea fertile land. The scale of the engineering they have developed is unprecedented and enduring. In the modern Netherlands, that same drive to make “something” out of “nothing” has seen them turn garbage into gold.

The Dutch are the world leaders in taking waste and turning it into something valuable. They took the seafloor from the sea and made it into arable, habitable land. They have become so good at these transformations that they take rubbish from others to create energy.

The Group took notice. This is not their first venture in the waste-to-energy sector, but it is the biggest. After acquiring New Zealand waste management business EnviroWaste in early 2013, AVR has become the latest investment in Cheung Kong Group's portfolio in the Netherlands.

The deal is a joint purchase of USD1.2 billion by Cheung Kong Holdings, Cheung Kong Infrastructure, Power Assets and the Li Ka Shing Foundation, taking shares of 35 per cent, 35 per cent, 20 per cent and 10 per cent respectively. The full name of the firm is AVR Afvalverwerking B.V. Afvalverwerking means ‘disposal’, reflecting the company's roots. It now does so much more.

### THE DUTCH PLAN

The Dutch are great planners. With a massive infrastructure responsible for the country's very existence through a network of dikes holding back the sea, they are experienced in taking a long-term view. Their energy policy is no different.

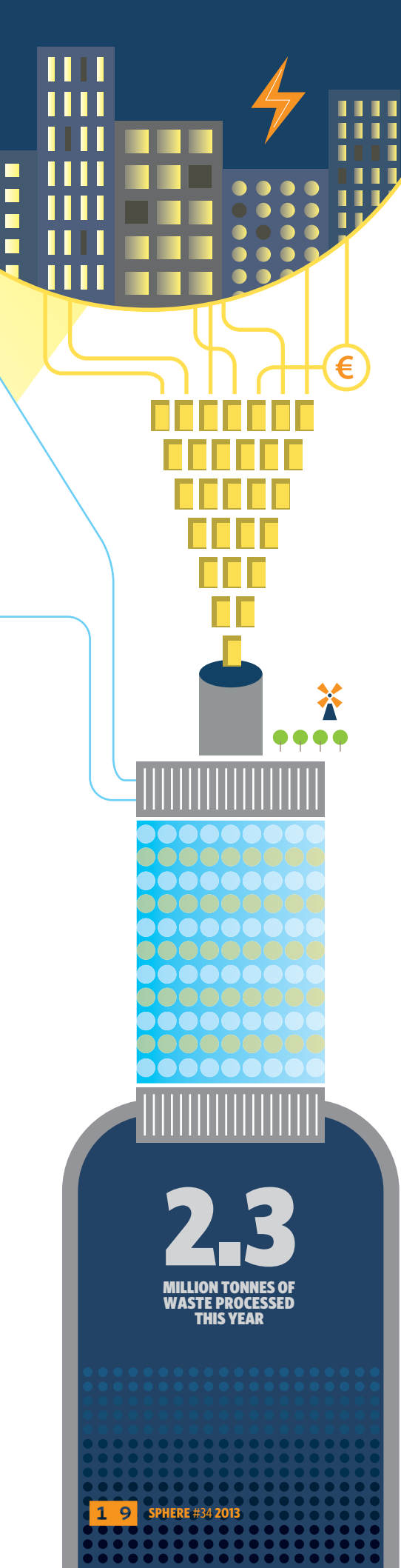
Recent Dutch energy policy demands their energy supply to be sustainable, reliable and affordable. The Netherlands aims to cut carbon dioxide emissions, from a 1990 baseline, by 80 to 95 per cent by 2050. Renewable energy is a vital part of the plan. Given waste must also be dealt with, the waste-to-energy development path is a natural one. They have embraced it with enthusiasm.

The Dutch waste-to-energy plants currently deliver almost 12 per cent of all sustainable energy in the country. These plants thermally treat residual household and similar waste that cannot be reused or recycled in an economic or environmentally beneficial way. They are cost-effective and reliable sources of energy in the form of electricity, district heating or cooling, and steam for industrial processes. The heat and electricity delivered to housing and industry replace fossil fuels used by conventional power plants. Waste-to-energy plants reduce carbon dioxide emissions and lower the need for landfill.

In the Dutch waste-to-energy industry, AVR is the biggest solution provider in the country. AVR, which practises traditional waste incineration, has developed an industrial Energy from Waste (EfW) platform through the implementation of innovative growth projects to produce an optimal mix of heat, steam and energy.

AVR generates its income from three sources: gate fees for processing waste; the sale of output generated from waste processing in the forms of electricity, steam, and district heating; and the sale of recovered materials.





**In addition to being the biggest waste processor, AVR is expected to be a leading domestic renewable district heating producer by 2015.**

**VILLAGE BUSINESS**

Gate fees is a fancy way of saying people pay to get rid of their trash. The majority of gate fees have been secured through long-term contracts from municipalities and commercial customers. Rozenburg and Duiven are the two locations of AVR's plants.

Rozenburg is a small village close to Rotterdam. It is actually on a former island, home to a mostly bedroom community, a Kuwaiti-owned refinery and AVR. Almost 50 per cent of AVR's domestic waste is delivered by water, to Rozenburg.

Duiven, a slightly bigger municipality, is due east, closer to the centre of Arnhem on the German border. Both the Rozenburg and Duiven plants are qualified energy efficient waste treatment plants. They are of "R1" status, entitling them to import waste from other member countries and states of the European Union. With Antwerp and Brussels in less than two hours' drive, Rozenburg and Duiven, sitting in the middle of a Dutch and German concentrated population, have no lack of waste being generated in a narrow catchment area.

Apart from serving the residents in the Netherlands, AVR also supports the UK, Ireland and Belgium by importing their waste to Dutch's highly efficient plants. This reduces landfill volumes across Europe and increase recycling and incineration volumes, producing renewable energy out of domestic and international waste. AVR can handle the incineration capacity - and more. The Rozenburg and Duiven plants together processed 2 million tonnes of Dutch waste this year and 300,000 tonnes of imported waste in 2012. This capacity means the company commands a 23 per cent market share of the waste processing industry in the Lower Countries and will soon measure its market share in terms of European output.

**ALCHEMY: LEAD TO GOLD**

The incineration of waste generates heat. The steam and district heating are sold via long-term contracts to local municipal district heating networks. Steam is supplied to neighbouring industrial users like Tronox, a titanium producer, and chemical producers EKC and AkzoNobel.

In developing a new approach to waste management, AVR has encountered and handled different challenges. They have had to develop energy solutions to supply heat and steam as well as the traditional "electricity only" solution in EfW installations. In developing processes, they faced challenges in getting partnerships in place to acquire the in-depth knowledge needed to operate a heat/steam network. This experience is valuable and could be transferred to other countries.

In the future, AVR has a plan to increase heat and steam sales to more municipalities and nearby industries and import waste from EU countries with high landfill volumes. With the completion of the energy projects in Rotterdam-Zuid (in 2014) and Rotterdam-Noord (in 2015), AVR Rozenburg will double its thermal output. In addition to being the biggest waste processor, AVR is expected to be a leading domestic renewable district heating producer by 2015.

**REDUCE, REUSE AND ...RECYCLE!**

Not all trash ends up in steam and energy. The sale of recycled materials is the third line of income for AVR. AVR takes an active role in bringing recycling and incineration together, which are usually portrayed in the public domain as contradictory waste management handling techniques. The waste material brought to AVR consists of just about everything, from fruit, vegetable and garden waste, plastic, waste wood and paper pulp to refuse bags full of domestic waste and wastewater from the production process of local businesses. Everything valuable to recycle, such as metals, is sold on to industry.

HWL is contributing to cleaning up the planet and AVR is a part of its global investment strategy. As noted, this isn't the first acquisition in this sector and AVR's technology may have application elsewhere. Many markets HWL operates in are struggling with waste disposal and clean energy generation. For those that cannot ship their waste to Rozenburg and Duiven directly, AVR's technology and experience could make all the difference. □