

CLP Procurement Values and Principles

Message from the Chief Executive Officer

CLP is one of the leading power companies in the Asia Pacific region, and over the past 100 years has grown with generation assets and retail businesses in a number of countries, including Hong Kong, Chinese Mainland, Australia, Taiwan, India and Thailand.

CLP's vision is to be a leading responsible energy provider in the Asia-Pacific electric power sector, from one generation to the next, providing world-class products and services to our customers. Our success in delivering this vision depends on our ability to provide high quality, low cost services to our customers in a responsible manner. This in turn requires our suppliers meet our expectations in providing the products and services that we procure from them. Successful procurement is therefore key to achieving our goals.

At CLP, procurement is an integral part of our business process: we procure a wide range of products and services, of significant value, to maintain and develop our electricity supply business to meet our customers' needs. Our preferred suppliers will be those who are ethical and committed to sustainable development, have demonstrated Safety, Health, Environment, Quality (SHEQ) competence, internationally competitive pricing, meeting the expectations of our Responsible Procurement Policy Statement (RePPS), and are compliant with legal and business performance requirements. CLP strives to continually improve competitive advantage and deliver value to all stakeholders through the formation of commercially viable strategic relationships with our preferred suppliers, and to maintain such strategic relationships for long term benefit to all parties concerned.

This document explains our procurement values and principles. CLP encourages all its suppliers to abide by the same values and principles as ourselves, and to adopt the same standards of integrity and transparency in doing business with us.

Please visit the CLP Website (www.clpgroup.com) for more information on our Value Framework and Code of Conduct, or contact the Chief Procurement Officer, CLP Power Hong Kong, for further enquiries about this document.

Our Values

CLP's vision is underpinned by values that ensure we behave in a way that is consistent with the mission we have set for ourselves.

We are firmly committed to business principles and ethics that cover all aspects of our business. They begin with how we treat our own people and move through our relations with investors, suppliers, business partners and governments to the wider communities in which we operate. We are committed to delivering sustainable shareholder value and we adhere to high standards of corporate governance.

Procurement Missions

The Procurement Missions are:

- To satisfy CLP's business needs and contribute to its competitive advantage through our strategic sourcing expertise, total lifetime cost philosophy and efficient procurement processes.
- To work collaboratively with "best fit" responsible suppliers to deliver the required products and services on time, to high SHEQ standards, at internationally competitive prices, and supported by the most appropriate technology.
- To raise the level of professionalism and provide job satisfaction for all Contracts & Procurement network employees through development and empowerment.

Strategies for Achieving the Procurement Missions

We strive to continuously improve the procurement process to keep abreast of world-class practices, and have established three strategic categories; namely, supplier development, internal client support, and internal efficiency enhancement.

In particular, we will:

- Share best practices for adoption by CLP Group companies.
- Position the right people for the right job, and foster a learning culture.
- Continuously improve our procurement processes and practices, and solicit support from internal clients in agreeing on focuses and priorities for improvement.
- Participate in the development, sharing and application of knowledge for best practices in procurement.
- Develop and maintain long-term relationships with suitable suppliers for mutual benefit.

Responsible Procurement

At CLP we pursue sustainable development that meets the requirements of today's generation without compromising those of the future. We recognise that achieving this requires balance among the social, economic and environmental needs of the communities we serve. This sense of social responsibility is firmly embedded in our corporate culture. Our Responsible Procurement Policy Statement (RePPS) stipulates the expectations that we have on suppliers in legal compliance, respect for people, ethics and business conduct, and environmental stewardship. We make reference to RePPS in our supplier selection and contract performance monitoring.

CLP has established a number of Board Committees to oversee particular aspects of the Company's affairs. The Sustainability Committee, which is chaired by the Chief Executive Officer and includes independent non-executive directors, will oversee CLP's positions and practices on issues of corporate social responsibilities, principally in relation to social, environmental and ethical matters.

Corporate Governance

To ensure that business decisions are made openly and honestly, and that we abide by our commitments to all our stakeholders, CLP has established a set of formal written requirements, in the form of a Code of Conduct that all CLP personnel must follow.

Together with our [Value Framework](#), the [Code of Conduct](#) and this Procurement Values and Principles shall apply to company directors, officers and employees, and joint ventures or companies in which CLP holds a controlling interest. In the case of joint ventures or companies in which CLP does not hold a controlling interest, the CLP representatives concerned will act in accordance with the Code of Conduct themselves and influence those with whom they are working to ensure that they also act to similar standards of integrity and ethical behaviour.

CLP encourages all its suppliers to abide by the principles of our Code of Conduct, and to adopt similar standards in practices, integrity and transparency in doing business with us. Under the Whistleblowing Policy, CLP encourages employees and related third parties reporting, in confidence, about misconduct, malpractice or irregularities in any matters related to the Company. More information on our Code of Conduct and Whistleblowing Policy is available from the CLP Website (www.clpgroup.com) under "Our Value Framework" and "Governance Framework".

Authorities and Segregation of Duties

Each CLP Group company has established its Company Management Authority Manual (CMAM) to specify authorities delegated by the Board of Directors to Board Committees, Managing Director and managers of the company. All business transactions will need to be approved in accordance with the CMAM.

There are three types of approval to complete a procurement process. These are:

- Financial Approval to approve the funding
- Purchasing Approval for making commitment to a third party
- Payment Approval for payments

CLP managers have defined limits of approval authority according to the CMAM. To ensure proper control, the same person may not approve consecutive steps in the process.

Our Procurement Strategies

We adopt the procurement method that best suits the business need. Depending on our requirements, we may:

- Seek proposals from a single supplier or from a number of suppliers, either in a traditional or electronic format.
- Seek formal bids or tender as part of the procurement process.
- Conduct negotiations with prospective suppliers, either instead of or in conjunction with a formal bid or tender process, and
- Vary the length and structure of contractual commitments we enter into.

Our Commitment

We are committed to upholding a high standard of business ethics in the process of achieving our goals. CLP cares not only for results, but also how these results are achieved.

CLP treats all its suppliers fairly and ethically with respect and integrity. We are committed to our suppliers that we will:

- Make impartial business decisions without conflict of interest or undue influence
- Conduct business according to applicable laws and regulations
- Safeguard against bribery
- Manage responsibly the social, environmental & ethics impact of the products and services we procure
- Meet commitments fully and on time
- Foster long-term, mutually beneficial relationships with suppliers that share our values and goals.