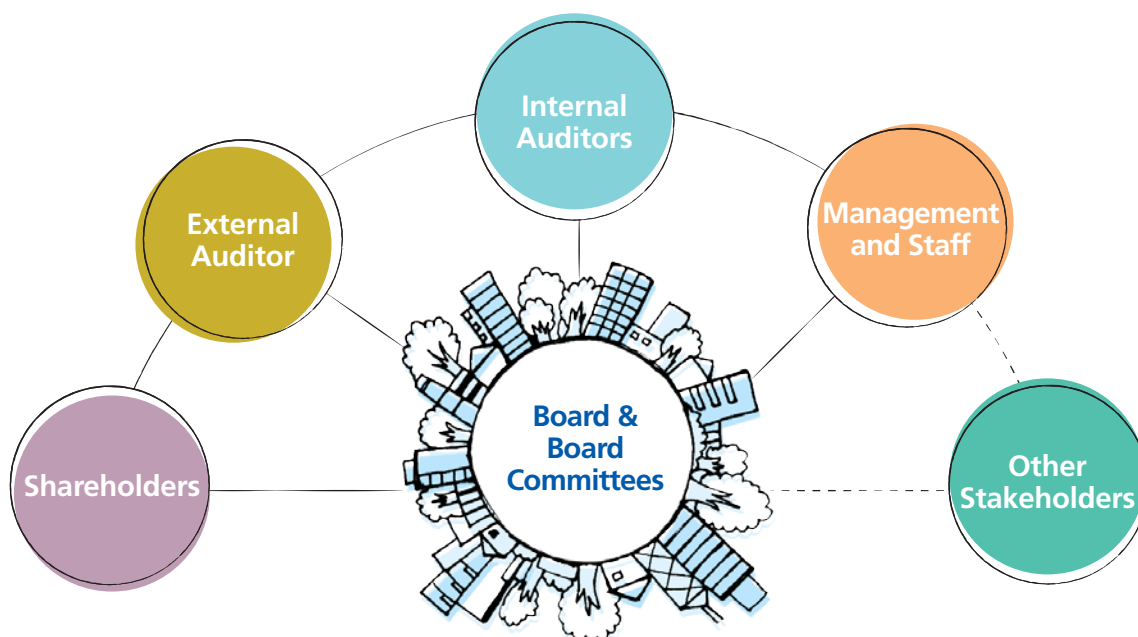


Corporate Governance Report

CLP's Corporate Governance Framework


Good corporate governance enhances the credibility and reputation of the Company, as well as promoting and safeguarding the interests of shareholders and other stakeholders. Maintaining a high standard of corporate governance has been and remains one of CLP's top priorities.

We use a Corporate Governance Framework to identify all the key participants in good governance, the ways in which they relate to each other and the contribution each makes to the application of effective governance policies and processes.



Our Corporate Governance Framework rests on two important commitments:


- We disclose our corporate governance principles and practices openly and fully; and
- We continually strive to improve our principles and practices in light of our experience, regulatory requirements, international developments and investor expectations.

Through this Corporate Governance Report, the ["CLP Code on Corporate Governance"](#) (the CLP Code) and the [Corporate Governance section](#) on our website, we keep shareholders and other stakeholders abreast of all our policies and practices. 

The CLP Code on Corporate Governance

The Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code) issued by the Stock Exchange of Hong Kong Limited (the Stock Exchange) and found in Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) on the Stock Exchange sets out principles of good corporate governance and two levels of recommendation:



- Code Provisions, with which issuers are expected to comply or to give considered reasons for any deviation; and
- Recommended Best Practices, for guidance only, save that issuers are encouraged to comply or give reasons for deviation.


CLP adopted our own unique CLP Code in February 2005. It is updated from time to time, most recently in February 2015, reflecting the New Companies Ordinance (Cap. 622) (NCO) which took effect from 3 March 2014 and the evolution of CLP's corporate governance practices. Shareholders may download a printable copy of the [CLP Code](#) from our website, obtain a hard copy from the Company Secretary on request at any time, or by completing and returning the form enclosed with this Annual Report. 

The CLP Code incorporates all of the Code Provisions and Recommended Best Practices in the Stock Exchange Code, save for the single exception explained on the next page. It exceeds the requirements of the Stock Exchange Code in many aspects. CLP has also applied all of the principles in the Stock Exchange Code. The manner in which this has been achieved is set out in the CLP Code and this Corporate Governance Report. The following are the major respects in which the CLP Code exceeds (✓✓) or meets (✓) the Code Provisions and Recommended Best Practices of the Stock Exchange Code.

✓✓	CLP has established a Corporate Governance Framework which covers all of the relationships and responsibilities of the external and internal corporate governance stakeholders in a comprehensive and structured way.
✓✓	CLP published a formal Value Framework in 2003, most recently updated in September 2013, which sets out the business principles and ethics underpinning CLP's activities.
✓✓	CLP acknowledges shareholders' rights as set out in the Organisation for Economic Cooperation and Development's "Principles of Corporate Governance".
✓✓	More than one-third (7 out of 15) of the CLP Holdings Board are Independent Non-executive Directors.
✓✓	CLP has adopted its own Code for Securities Transactions by Directors , which is on terms no less exacting than the required standard as set out in the Model Code under Appendix 10 of the Listing Rules. This Code also applies to other "Specified Individuals" such as members of the CLP Group's Senior Management. A copy of this Code is available on the CLP website. 
✓✓	In addition to the disclosure of interests of Directors and their confirmation of compliance with the Model Code and CLP Code for Securities Transactions, we disclose Senior Management's interests in CLP Holdings' securities and their confirmation of compliance with the Model Code and CLP Code for Securities Transactions.
✓✓	We issue a formal letter of appointment for Non-executive Directors, modelled on the letter of appointment in the "Higgs Report" in the UK on the "Review of the Role and Effectiveness of Non-executive Directors". The model letter is on our website and deals with a range of matters regarding a Director's appointment and responsibilities. 
✓✓	We publish the terms of reference and membership of all Board Committees on the websites of CLP and the Stock Exchange. 
✓✓	We conduct a regular evaluation of the performance of the Board as well as all of its Board Committees and conclusions of these findings are published on the CLP website. 
✓✓	The Audit Committee comprises only Independent Non-executive Directors. Two of the four members have appropriate professional qualifications, accounting and related financial management expertise. The other two members have respective experience in public administration and financial services.
✓✓	We issue an Audit Committee Report which sets out the primary responsibilities of the Audit Committee and the work performed by it during the period under review.
✓✓	CLP publishes its annual performance on ESG issues through this Annual Report and our Sustainability Report available online at the same time. These in many respects exceed the terms of the ESG Reporting Guide set out in Appendix 27 to the Listing Rules. 
✓✓	We announce our financial results within two months after the end of the financial year. We publish our full Annual Report on our website within the following fortnight and send this to shareholders about two weeks after that. 
✓✓	We serve more than 20 clear business days notice for our AGMs and more than 14 clear business days notice for all other General Meetings.
✓✓	We provide enhanced disclosure of financial information about the CLP Group's joint ventures and associates.
✓✓	The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) submit an annual "General Representation Letter" to the Audit Committee, in which they give a personal certification of compliance by themselves and their subordinates with a range of key internal control systems, disciplines and procedures, which cover financial and relevant non-financial information.
✓✓	We issue a Sustainability Committee Report which sets out our sustainability framework (constructed around those areas, objectives and goals which we consider most relevant to CLP's business) and a summary of work done by the Sustainability Committee.
✓✓	Our Anti-Fraud Policy states the Company's commitment to preventing, detecting and reporting fraud.
✓✓	We adopt a Fair Disclosure Policy which sets out the principles for the broad and non-exclusionary distribution of information to the public.
✓✓	We publish a set of Continuous Disclosure Obligation Procedures with regular updates, which formalise the current practices in monitoring developments in our businesses for potential inside information and communicating such information to our shareholders, the media and analysts.
✓✓	We issue a Risk Management Report which sets out CLP's risk management framework and how CLP manages the Group's material risks.
✓	All Code Provisions of the Stock Exchange Code.
✓	All Recommended Best Practices of the Stock Exchange Code, except the single one explained on the next page.



Corporate Governance Report

CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results. Instead, CLP issues quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities. CLP does not issue quarterly financial results. The reason is a judgment that, as a matter of principle and practice, quarterly reporting does not bring significant benefits to shareholders. Quarterly reporting encourages a short-term view of a company's business performance. CLP's activities do not run and should not fall to be disclosed and judged on a three-month cycle. Preparation of quarterly reports also costs money, including the opportunity cost of board and management time spent on quarterly reporting. CLP's position is set out on our website as an update of the views that we expressed in 2002 and which were accompanied by a standing invitation to shareholders to let us know if their views differed. Up to now, we have received no such feedback from shareholders. We would review our position if there was a clear demand from shareholders for quarterly reporting. CLP's focus remains on enhancing the quality of its reporting to shareholders through existing channels such as the [Annual Report](#), [Sustainability Report](#) and its website – all of which far exceed regulatory requirements in the extent of disclosure made.  

Our website includes an [annotated version of the CLP Code](#), with cross-references from the CLP Code to the corresponding Code Provisions and Recommended Best Practices of the Stock Exchange Code. Throughout the year, the Company met the Code Provisions as set out in the Stock Exchange Code. 

Evolution of CLP's Corporate Governance in 2015

In 2015, CLP made further progress in the evolution of our corporate governance practices, in line with the CLP Code and emerging developments in global corporate governance practices:

- a) Cyber security awareness initiatives being extended to our businesses in Mainland China and India through engagement programmes and training and a continuation of activities to maintain and reinforce the awareness culture and behaviour change in Hong Kong.
- b) Continued assessment of risk management processes at holdings level. Assessment is to be extended to the business unit level in 2016.
- c) Continued to strengthen our reporting on ESG issues against the ESG Reporting Guide and associated Listing Rules issued by the Stock Exchange and the Global Reporting Initiative's G4 Sustainability Reporting Guidelines (GRI G4 Reporting Guidelines).
- d) Continued to undertake corporate governance roadshows to exchange views with institutional investors and international experts in corporate governance.
- e) Conducted a performance evaluation of the CLP Holdings Board and its Board Committees for 2014 by the Company Secretary in the form of a questionnaire to all Directors individually, with a focus on the review of the implementation of the recommendations of the Board Performance Evaluation Report in 2013. More details are provided on pages 120 and 121 of this Report. For 2015, we have undertaken a competitive tendering process for engagement of an external consultant to evaluate the performance of the Board and Board Committees.
- f) Issued and adopted the CLP Project Management Governance System Standard to ensure the application of world-class project management practices across the Group. As preparatory work, the "Project Management Academy" was established and this included curriculum development, training materials, e-learning platform, and initial intake enrolment.
- g) Updated the terms of reference of the Audit Committee to reflect the Committee's additional responsibilities arising from the review of the assurance of sustainability data in the [Sustainability Report](#) and the amendments of the Stock Exchange Code on risk management and internal control. 
- h) Held our third ESG webcast on 28 April 2015 to further enhance our communication with institutional investors and their proxy advisors on the ESG aspects of our business. The [recording of the webcast](#) is available on the CLP website. 
- i) Conducted corporate governance briefings to local subsidiaries and joint ventures in Mainland China and Australia.

- j) Shared our expertise and views on corporate governance issues by participating in formal and informal focus groups organised by the Stock Exchange, as well as by responding to the Consultation Paper issued by the Securities and Futures Commission with regard to Principles of Responsible Ownership and the Consultation Paper on Review of the ESG Reporting Guide published by the Stock Exchange.
- k) Completed the independent three year periodic [review of the fees payable to Non-executive Directors](#) and published this on CLP's website (see pages 149 and 150 of the Human Resources & Remuneration Committee Report). [📄](#)
- l) Undertook an internal review of the Company Management Authority Manual for EnergyAustralia and the proposed changes from the review aimed to update the governance process for the operational and strategic aspects of the business so as to reflect the focus and strategy of EnergyAustralia.

Shareholders

The Board and Senior Management recognise their responsibilities to represent the interests of all shareholders and to maximise shareholder value. The "Shareholder Value and Engagement" section of this Annual Report details our policies and actions in this respect. In addition, the CLP Code highlights key rights enjoyed by our shareholders.

The Company is incorporated in Hong Kong. We have chosen to be subject to the company law of the jurisdiction in which a major part of our business is based, where our shares are listed and where the vast majority of our shareholders are residents.

Details of the profile of the shareholders in the Company, aggregate shareholding and important shareholders' dates in the coming financial year are set out in the "Shareholder Value and Engagement" section at page 20 of this Annual Report.

From publicly available information and as far as our Directors are aware, CLP Holdings has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2015 and has continued to maintain such a float as at 29 February 2016.

Pursuant to the NCO and our Articles of Association, a General Meeting of shareholders can be convened by the Board or a written request signed by shareholders holding at least 5% of the total voting rights of all the shareholders having a right to vote at that meeting, stating the general nature of the business to be dealt with at the meeting, and deposited at the Company's registered office in Hong Kong at 8 Laguna Verde Avenue, Hung Hom, Kowloon.

The procedures for shareholders to put forward proposals at our AGM or any General Meeting include a written notice of those proposals being submitted by shareholders, addressed to the Company Secretary at the registered office. The detailed procedures vary according to the nature of the meeting and the type of resolution. The relevant procedure to propose a person other than a Director of the Company for election as

a Director is set out in the Notice of AGM which accompanies the dispatch of this Annual Report to shareholders and will be included with the notice to shareholders of any future AGM. The [procedures for shareholders to convene and put forward proposals at our AGM or any General Meeting](#) are available on our website or on request to the Company Secretary. [📄](#)

The most recent shareholders' meeting was the AGM held on 7 May 2015 at the Hong Kong Polytechnic University, Kowloon, Hong Kong. Major items discussed included the adoption of a new set of Articles of Association to:

- a) update various provisions contained in the predecessor Articles of Association in order to bring them in line with the NCO;
- b) make a number of procedural changes, mainly relating to the conduct of General Meetings, to reflect the evolution of the current practices of the Company; and
- c) make some consequential and housekeeping changes.

The percentage of votes cast in favour of the resolutions relating to the major items are set out below:

- Re-election of Mr William Mocatta, Mr Vernon Moore, Mr Vincent Cheng, The Hon Sir Michael Kadoorie and Mr Andrew Brandler as Directors of the Company (78.5119% to 98.3614% in respect of each individual resolution);
- Adoption of the new Articles of Association of the Company (99.5764%);
- General mandate to Directors to issue and dispose of additional shares in the Company, not exceeding 5% of the total number of shares in issue and such shares shall not be issued at a discount of more than 10% to the Benchmarked Price of such shares (99.4720%); and
- General mandate to Directors to exercise all the powers of the Company to buy back or otherwise acquire shares of the Company in issue, not exceeding 10% of the total number of shares in issue (99.9974%).

Corporate Governance Report

All resolutions put to shareholders at the 2015 AGM were passed. The results of the voting by poll of the 2015 AGM have been published on CLP's website and the website of the Stock Exchange. The full proceedings of the 2015 AGM can be viewed in the "Investors Information" section of the Company's website. [Minutes](#) of the 2015 AGM were also published on the Company's website. [📄](#)

The Company regards the AGM as an important event in the corporate year and all Directors and Senior Management make an effort to attend. The Chairmen of Board Committees attend the AGM and will take shareholders' questions. A representative (usually the engagement partner) of the external auditor also attends the AGM and will take questions from shareholders relating to their audit of the Company's financial statements.

We have collected and answered the most frequently asked questions by shareholders regarding their rights as CLP shareholders and the ways in which they can best exercise and enjoy those rights in a "[Shareholders' Guide](#)". This Guide and its updates are available on the CLP website. [📄](#)

Enquiries may be put to the Board by contacting either the Company Secretary through our shareholders' hotline (852) 2678 8228, e-mail at cosec@clp.com.hk or by questions at a General Meeting.

The Board

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

The types of decisions which are taken by the Board include those relating to:

- setting the Group's values and standards;
- the strategic direction and objectives of the Group;
- overseeing the management of CLP's relationships with stakeholders, such as Government, customers, the communities and others who have a legitimate interest in the responsible conduct of the Group's business;
- monitoring the performance of management; and
- ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed.

Following the Board's approval of Group Investment Strategy for the CLP Group in October 2014, the Board, in 2015, reviewed and updated the objective, targets and strategy for EnergyAustralia, the China business and the Hong Kong business as a supplement to the Group Investment Strategy. The key components of the investment strategy are set out on page 6 and the "CEO's Strategic Review" beginning on page 11 of the Annual Report discusses the challenges and opportunities.

The Board discharges the following responsibilities through delegation to the Nomination Committee, Audit Committee and Human Resources & Remuneration Committee:

- a) to develop and review the Company's policies and practices on corporate governance;
- b) to review the contribution required from Directors and whether they are spending sufficient time performing their responsibilities to the Company;
- c) to review and monitor the training and continuous professional development of Directors and Senior Management;
- d) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- e) to develop, review and monitor the Code of Conduct applicable to employees; and
- f) to review the Company's compliance with the CLP Code and disclosure in the Corporate Governance Report.

The Board is regularly kept up-to-date on key events, outlook, safety and environmental matters of the Group through the CLP Group Monthly Management Reports. The Management Report gives a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail and includes year-to-date financials as well.

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group at each period end and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Board Composition

As at the date of this Report, the Board comprises 15 Directors. Three of them are women. All Directors (with the exception of the CEO and the CFO) are non-executive and independent of management, thereby promoting critical review and control of the management process. The Board includes seven influential and active Independent Non-executive Directors to whom shareholders' concerns can be conveyed. The non-executive members of the Board also bring a wide range of business and financial experience to the Board, which contributes to the effective direction of the Group.

Details of all Directors and their biographies are given on pages 104 and 105 of this Annual Report. The relationships (including financial, business, family or other material or relevant relationships) among members of the Board are also disclosed. There is no such relationship as between the Chairman with respect to the CEO and the CFO. All of the Non-executive Directors (see page 104) are not considered as independent, due to their association with the Kadoorie Family, who have a substantial interest (35.01%) in CLP. In common with all Directors, they are aware of their responsibilities to all shareholders.

Directors are requested to declare their and their connected entities' direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate. There was no such occasion in 2015.

The Company follows guidelines at each financial reporting period to seek confirmation from Directors in respect of any transactions of the Company or its subsidiaries which are related to Directors or their connected entities.

In addition, identified significant related party transactions are disclosed in Note 30 to the Financial Statements of the Annual Report.

Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each Independent Non-executive Director of his/ her independence to the Company. The Company considers all of the Independent Non-executive Directors to be independent.

As announced by the Company on 5 June 2015, Mrs Zia Mody has been appointed an Independent Non-executive Director with effect from 2 July 2015. Mrs Mody is the founder and senior partner of AZB. AZB previously advised one of CLP

Holdings' subsidiaries in India in relation to a bond issuance. Prior to Mrs Mody's appointment as an Independent Non-executive Director of the Company, the work on this project had been completed and Mrs Mody confirmed that AZB will not act for CLP Holdings or its subsidiaries in future. Furthermore, Mrs Mody was not personally involved in the provision of any services by AZB to CLP Holdings' subsidiaries in India, which were overseen by another partner. Mrs Mody has thus confirmed that the prior professional relationship between AZB and CLP Holdings' Indian subsidiaries will not affect her independence.

Mrs Mody is the Deputy Chairman, an Independent Non-executive Director and a Member of the Risk Committee of The Hongkong and Shanghai Banking Corporation Ltd. CLP, including its wholly-owned subsidiaries in China, Hong Kong, Australia and India, have business relationships with The Hongkong and Shanghai Banking Corporation Ltd. These relationships include the provision of normal banking services, provision of financial advisory services, extension of loans, entering into derivative transactions and placement of deposits, in each case in the normal course of business. These relationships form part of the overall banking activities which CLP and its subsidiaries have with a wide range of banking institutions. They are not material to The Hongkong and Shanghai Banking Corporation Ltd. As a member of the Risk Committee, Mrs Mody assumes non-executive responsibility for oversight of and advice to its board on high-level risk-related matters and risk governance. As such, Mrs Mody has not participated in any decisions related to the business activities of The Hongkong and Shanghai Banking Corporation Ltd. with CLP. Mrs Mody has confirmed that she has no personal involvement in any of these business activities and that they do not affect her independence.

Mrs Mody does not have any interest in CLP Holdings shares within the meaning of Part XV of the Securities and Futures Ordinance. Mrs Mody does not have any relationships with any Directors, Senior Management or substantial or controlling shareholders of CLP Holdings. Apart from being a member of the Human Resources & Remuneration Committee, Mrs Mody does not hold any other position with CLP Holdings or any other member of the group of companies of which CLP Holdings forms part.

Taking into account all of the circumstances described above, the Board considers that Mrs Mody is independent.

Corporate Governance Report

Board Diversity Policy

The Board formally adopted a [Board Diversity Policy](#) in August 2013 which seeks to record, more formally, CLP's policy on board diversity and to recognise the terms of relevant Code Provisions of the Stock Exchange Code which came into effect on 1 September 2013. The Policy is available on the CLP website. Minor modifications to the Policy to align with relevant updated changes to CLP's Value Framework were made in February this year. [\[E\]](#)

CLP's Value Framework emphasises our respect for people and diversity. The Board Diversity Policy is just one example of the wider applications of our Value Framework. We believe that board diversity enhances decision-making capability and a diverse board is more effective in dealing with organisational changes and less likely to suffer from group thinking. We recognise that board diversity is an essential element contributing to the sustainable development of the Company. The objectives of this Policy are, with the support of our shareholders, to have a Board which:

- a) is characterised by a broad range of views arising from different experiences when discussing business;
- b) facilitates the making of informed and critical decisions; and
- c) has sustainable development as its core value,

and thus promotes the interests of all our stakeholders, particularly the long-term interests of our shareholders, fairly and effectively.

For the purpose of this Policy, CLP considers the concept of diversity incorporates a number of different aspects, such as professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. The achievement of these objectives is measurable on an objective review by shareholders of the overall composition of the Board, the diversity of background and experience of individual Directors and the effectiveness of the Board in promoting shareholders' interests.

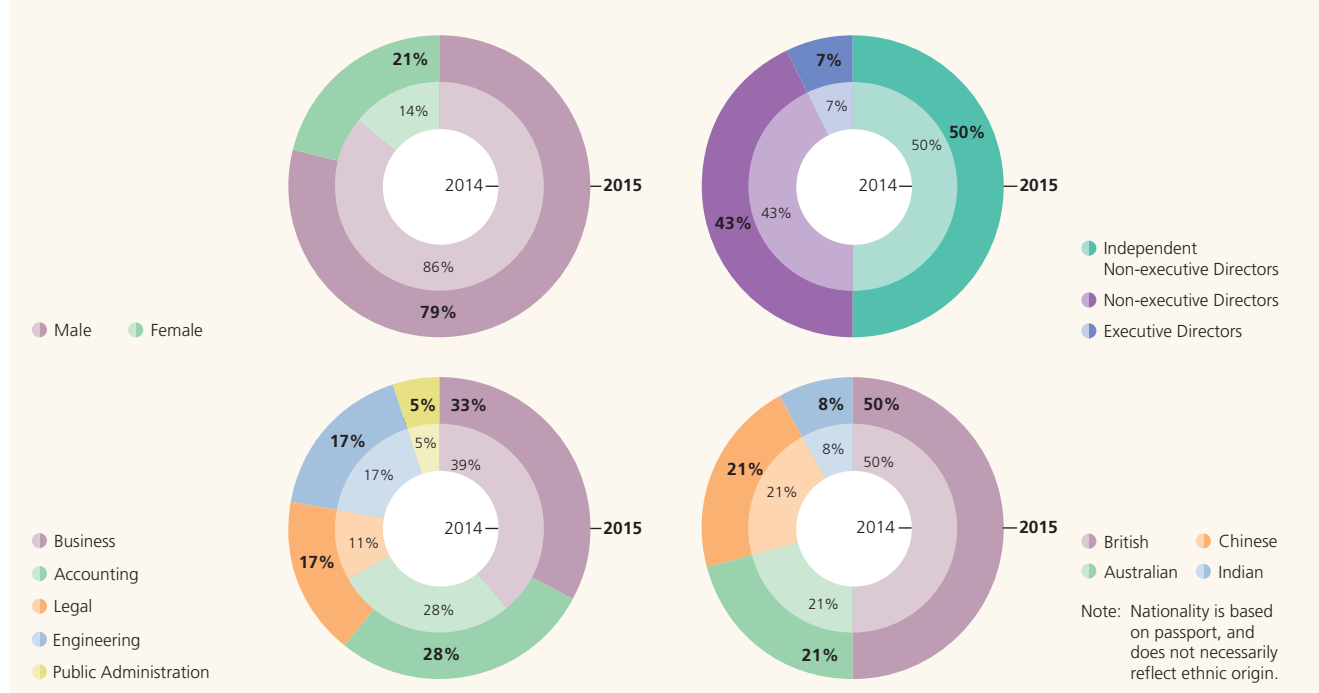
Recognising Directors are appointed by shareholders, not the Board nor the Company, merit and competence to serve the Board and hence shareholders remains the first priority. In order for shareholders to judge for themselves whether the Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support, we shall continue to provide sufficient information to shareholders about the qualifications, experience, characteristics etc. of each individual Board member and therefore, the Board as a whole so that shareholders are aware of the composition of their Board, including diversity.

The Nomination Committee has been charged with the review of the Board Diversity Policy on a periodic basis. In 2013, the Nomination Committee endorsed the approach of review of the Policy that it may take the form of an analysis of the Board in the different aspects of diversity having regard to the sustainable development of the Company, supplemented with shareholders' feedback on the diversity of the Board and its overall effectiveness in promoting shareholders' interests.

In 2015, we have measured the diversity of the Board as of 2014 and 2015 based on the aspects of independence, gender, nationality and ethnicity and skills and experience (which are the measurable objectives as set out in Board Diversity Policy).

The analysis on the opposite page has indicated that, in 2015, while maintaining the independence of Directors at the same high level of 50% and the diversity level in nationality, there was both an increase in the gender diversity and in diversity in terms of professional background and experience, which significantly enhanced the overall diversity of the Board. We have also sought shareholders' views on the satisfactory levels of the diversity aspects of the Board during the Shareholders' Visit Programme 2014-2015. The overall results showed that shareholders were satisfied with the diversity aspects of the Board and its effectiveness in promoting shareholders' interests. The satisfaction level has increased from 91% for all diversity aspects in 2013/2014 to 92.5%-95.6% for different aspects in 2014/2015. The 2015 review of the Board Diversity Policy was endorsed by the Nomination Committee.

Diversified Board



Appointment of Directors

CLP follows a formal, considered and transparent procedure for the appointment of new Directors. Appointments are first considered by the Nomination Committee. In assessing potential candidates for the Board, the Nomination Committee considers the diversity perspectives, as set out on page 114. Notwithstanding the diversity perspectives, all appointments to the Board are based on merit, having regard to the ability of candidates to complement and expand the skills, knowledge and experience of the Board as a whole. The recommendations of the Committee are then put to the full Board for decision. Thereafter, all Directors are subject to election by shareholders at the first General Meeting following their appointment.

As approved by shareholders at the AGM in 2005, all Non-executive Directors are appointed for a term of not more than four years. This term is subject to curtailment upon that Director's retirement by rotation and re-election by shareholders. One-third of the Directors, including both Executive and Non-executive Directors, are required to retire from office at the AGM in each year. A retiring Director is eligible for re-election.

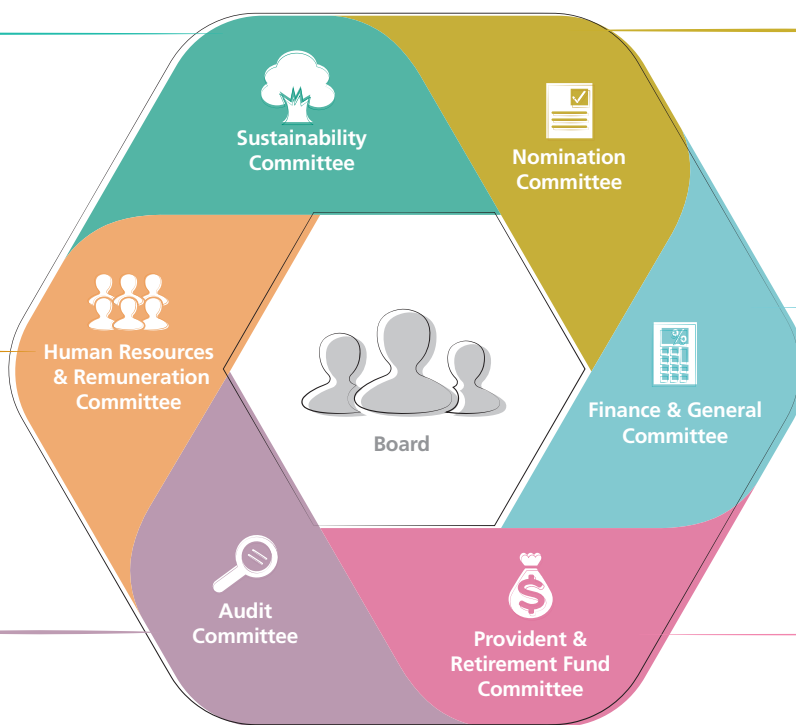
All Non-executive Directors have a formal letter of appointment, modelled on the letter of appointment in the "Higgs Report" in the UK on the "Review of the Role and Effectiveness of Non-Executive Directors". Non-executive Directors are paid fees for their services on Board and Board Committees, based on a formal independent review undertaken no less frequently than every three years. A review was undertaken at the beginning of 2016 with full details included in the Human Resources & Remuneration Committee Report at page 148 of this Annual Report. The remuneration policy and fees paid to each Non-executive Director in 2015 are also set out in the Human Resources & Remuneration Committee Report.

Chairman and Chief Executive Officer

The posts of Chairman and CEO are held separately by The Hon Sir Michael Kadoorie and Mr Richard Lancaster respectively. This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Company's business. The respective responsibilities of the Chairman and CEO are more fully set out in the CLP Code.

Board Committees

The following chart explains the responsibilities and the work that each Board Committee undertook on behalf of the Board during 2015 and in 2016 up to the date of this Report (the Relevant Period). The [terms of reference and membership of all Board Committees](#) are disclosed in full on the websites of CLP and the Stock Exchange. They are also available upon request in writing to the Company Secretary. [📄](#)



Audit Committee

Details of the Audit Committee, including its membership, terms of reference and work done during the Relevant Period are set out in the Audit Committee Report at page 140 of this Annual Report.

Human Resources & Remuneration Committee

Details of the Human Resources & Remuneration Committee, including its membership, terms of reference and work done during the Relevant Period are set out in the Human Resources & Remuneration Committee Report at page 148 of this Annual Report.

Sustainability Committee

Details of the Sustainability Committee, including its membership, terms of reference and work done during the Relevant Period are set out in the Sustainability Committee Report at page 143 of this Annual Report.

Membership of Nomination Committee

A majority of the members are Independent Non-executive Directors. This Committee is chaired by the Chairman of the Board, The Hon Sir Michael Kadoorie, with Mr Nicholas C. Allen and Mr Vincent Cheng as members.

Responsibilities and Work Done

This Committee is responsible for the review of Board structure and composition, identification and recommendation to the Board of possible appointees as Directors, making recommendations to the Board on matters relating to appointment or reappointment of Directors, succession planning for Directors, assessing the independence of the Independent Non-executive Directors and, as delegated by the Board, reviewing whether Directors are spending sufficient time performing their responsibilities, reviewing and monitoring the training and continuous professional development of Directors, and reviewing the Board Diversity Policy. The work performed by the Committee during the Relevant Period included:

- reviewing the current Board structure and composition;
- reviewing the Board Diversity Policy and recommending minor updating related modifications;
- assessing the independence of all Independent Non-executive Directors, including Mrs Zia Mody, Mr Nicholas C. Allen, Mrs Fanny Law and Ms Irene Lee who will retire and present themselves for election or re-election by shareholders at the 2016 AGM;
- reviewing the approach of the 2015 performance evaluation of the Board and Board Committees;
- reviewing the training and continuous professional development of Directors;
- reviewing the contribution required from a Director to perform his/ her responsibilities and whether he/ she has spent sufficient time performing them;
- considering the nomination of a potential candidate for appointment as Independent Non-executive Director of CLP Holdings and three potential candidates for appointment as Independent Non-executive Directors of Jhajjar Power Limited, a wholly-owned subsidiary of CLP Holdings; and
- reviewing the re-election of Directors of CLP Holdings and EnergyAustralia Holdings Limited, a wholly-owned subsidiary of CLP Holdings.

Membership of Finance & General Committee

Mr William Mocatta (Chairman), Mr V. F. Moore, Sir Rod Eddington, Mr Nicholas C. Allen, Mr Vincent Cheng, Ms Irene Lee, Mr Andrew Brandler, Mr Richard Lancaster, Mr Geert Peeters and Mrs Betty Yuen.

Responsibilities and Work Done

This Committee meets as and when required to review the financial operations of the Company. Such reviews include Group-wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets and business performance. The Committee also reviews major acquisitions or investments and their funding requirements. The work performed by the Committee during the Relevant Period included the review of:

- the Company's interim and annual results and the amounts of dividends payable to shareholders for the financial years ended 31 December 2014 and 2015;
- 2016 tariff strategy for the Hong Kong electricity business;
- the CLP Group Business Plan and Budget 2016-2020;
- CLP Group cost of capital study;
- CLP's foreign exchange translation risk and counterparty exposures;
- the Company's funding requirements, undertakings, guarantees and indemnities;
- disposal of interests in the Iona Gas Plant;
- investment in Shandong Laiwu Phase II 49.5MW Wind Power Project;
- investment in Yunnan Xicun Phase II 50MW Solar Power Project;
- investment in Guizhou Sandu Phase II 99MW Wind Power Project;
- 2016 Development Plan for Additional Generation Capacity;
- Code of Conduct Update; and
- proposed changes to EnergyAustralia's Company Management Authority Manual.

Membership of Provident & Retirement Fund Committee

Mr William Mocatta (Chairman), Mr Geert Peeters and a Trustee.

Responsibilities and Work Done

This Committee advises the Trustee on investment policy and objectives for the Group's retirement funds, namely the CLP Group Provident Fund Scheme and CLP Group Top-Up Scheme. During the Relevant Period, the Committee monitored the performance of the investment managers and the overall portfolio, arranged education and communication for schemes members; and organised activities relating to retirement planning for members.

Corporate Governance Report

Board and Committee Attendance

In 2015, six Board meetings were held which included one meeting where this was held in the absence of management and the Executive Director. Details of Directors' attendance at the AGM, Board and Board Committee meetings held in 2015 are set out in the following table. The overall attendance rate of Directors at Board meetings was 92.86% (2014: 94.19%).

Directors	Meetings Attended / Held							
	Board ¹	Audit Committee ²	Finance & General Committee	Human Resources & Remuneration Committee	Nomination Committee ³	Provident & Retirement Fund Committee	Sustainability Committee	AGM ²
Non-executive Directors								
The Hon Sir Michael Kadoorie	4/6				1/1			1
Mr William Mocatta	6/6		7/7	3/3		3/3		1
Mr Ronald J. McAulay	5/6							1
Mr J. A. H. Leigh	6/6							1
Mr Andrew Brandler	6/6		5/7				3/3	1
Dr Y. B. Lee	6/6							1
Independent Non-executive Directors								
Mr V. F. Moore	6/6	6/6	6/7	3/3				1
Sir Rod Eddington	6/6		4/7					1
Mr Nicholas C. Allen	5/6	6/6	5/7	3/3	1/1		3/3	1
Mr Vincent Cheng	6/6		5/7	3/3	1/1			1
Mrs Fanny Law	6/6	6/6					3/3	1
Ms Irene Lee	5/6	6/6	5/7				3/3	1
Dr Rajiv Lall ⁴	3/4		3/3					0
Mrs Zia Mody ⁵	3/3			0/2				N/A
Executive Director								
Mr Richard Lancaster	5/5		7/7				3/3	1

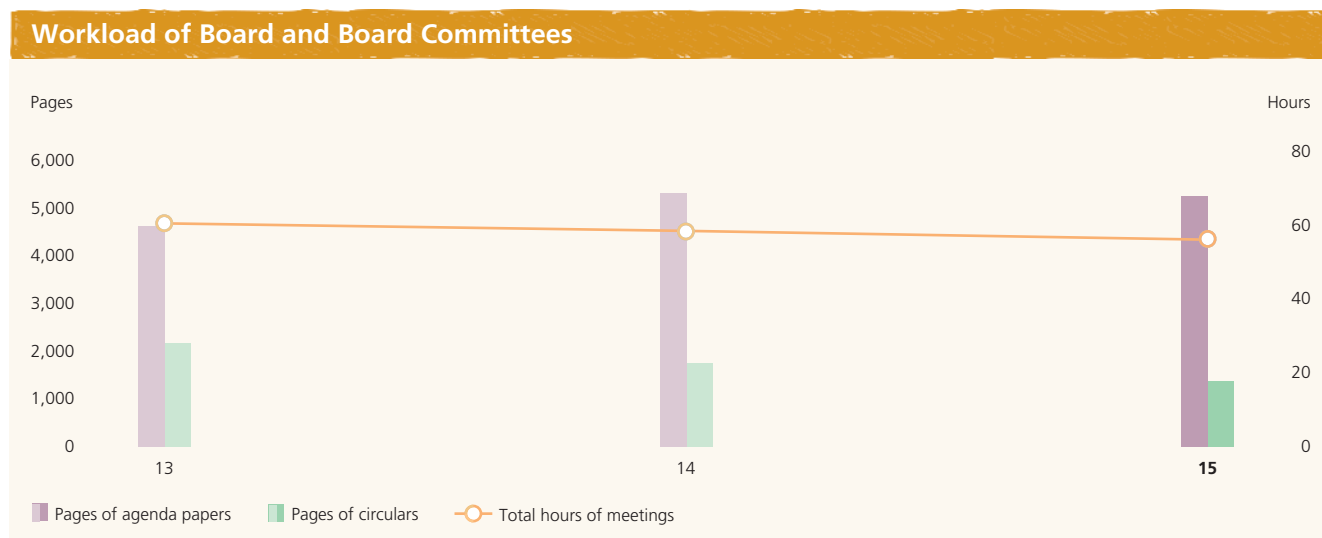
Notes:

- 1 Included a Board meeting where the Chairman met Independent and other Non-executive Directors without the Executive Director and management present.
- 2 Representatives of the external auditor participated in every Audit Committee meeting and the AGM.
- 3 In addition to the annual meeting, review and approval of nomination of Directors' appointment is by circulars to all the members of the Nomination Committee. In 2015, the Committee has also reviewed by circular the independence of Independent Non-executive Directors, Directors' time commitment and Directors' continuous professional development.
- 4 Dr Rajiv Lall resigned as an Independent Non-executive Director and a member of the Finance & General Committee after the conclusion of the Board of Directors meeting held on 13 August 2015.
- 5 Mrs Zia Mody was appointed as an Independent Non-executive Director and a member of the Human Resources & Remuneration Committee with effect from 2 July 2015.

Directors' Commitments

The Company has received confirmation from each Director that he/she has given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. During the year ended 31 December 2015, no current Director held directorships in more than seven public companies including the Company. No Executive Director holds any directorship in any other public companies, but he is encouraged to participate in professional, public and community organisations. Directors are also reminded to notify the Company Secretary in a timely manner and bi-annually confirm to the Company Secretary any change of such information. In respect of those Directors who stand for election and re-election at the 2016 AGM, all their directorships held in listed public companies in the past three years are set out in the Notice of AGM. [Other details of the Directors' biography](#) are set out under "Board of Directors" at page 104 of this Annual Report and on CLP's website. [🔗](#)

To indicate the attention given by our Board to the oversight of CLP's affairs, the following chart summarises the duration of those meetings and the volume of papers submitted to Directors for review during 2015 (compared to 2013 and 2014).



Directors' Interests

The interests in CLP's securities held by Directors as at 31 December 2015 are disclosed in the Directors' Report of this Annual Report at page 162. Particular attention is given to dealings by Directors in shares in CLP. Since 1989, the Company has adopted its own Code for Securities Transactions by Directors, largely based on the Model Code set out in Appendix 10 of the Listing Rules. Our Code is periodically updated to reflect new statutory and regulatory requirements, as well as our strengthened regime of disclosure of interests in our securities. This Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2015 they complied with the required standard set out in the Model Code and our own Code for Securities Transactions.



Chairman Sir Michael Kadoorie (second right) and Independent Non-executive Director Vernon Moore (first right) visit the submarine Tuen Mun – Chek Lap Kok Link Terminal and meet its engineers

Corporate Governance Report

As part of the continuous professional development programme, Directors participated in the Shareholders' Visit Programme, various briefings and visits to local management, CLP's facilities and special projects with CLP's involvement, as arranged and funded by the Company with appropriate emphasis on the roles, functions and duties of the Directors. This is in addition to Directors' attendance at meetings and review of papers and circulars sent by management.

Participation in Directors' Continuous Professional Development Programme in 2015				
	Reading regulatory updates	Paying visits to local management, CLP's facilities and special projects with CLP's involvement	Hosting Shareholders' Visits (2014–2015 Shareholders' Visit Programme)	Attending expert briefings/ seminars/ conferences relevant to the business or directors' duties
Non-executive Directors				
The Hon Sir Michael Kadoorie	✓	✓	✓	✓
Mr William Mocatta	✓	✓	✓	✓
Mr Ronald J. McAulay	✓	✓		✓
Mr J. A. H. Leigh	✓			✓
Mr Andrew Brandler	✓		✓	✓
Dr Y. B. Lee	✓	✓	✓	✓
Independent Non-executive Directors				
Mr V. F. Moore	✓	✓	✓	✓
Sir Rod Eddington	✓			✓
Mr Nicholas C. Allen	✓	✓	✓	✓
Mr Vincent Cheng	✓	✓		✓
Mrs Fanny Law	✓	✓	✓	✓
Ms Irene Lee	✓		✓	✓
Mrs Zia Mody ¹	✓			✓
Executive Director				
Mr Richard Lancaster	✓	✓	✓	✓
Company Secretary				
Mrs April Chan ²	✓	✓	✓	✓


Notes:

- 1 An induction was conducted for Mrs Zia Mody who was newly appointed to the Board in July 2015.
- 2 During 2015, Mrs April Chan served as the Past President on the Council of Corporate Secretaries International Association and the Chairman of the Technical Consultation Panel of the Hong Kong Institute of Chartered Secretaries. She was a frequent speaker at seminars and has exceeded the 15 hours of professional training requirement of the Listing Rules.

Board Evaluation

A performance evaluation of the CLP Holdings Board and its Board Committees for 2014 was conducted by the Company Secretary in the form of a questionnaire to all Directors individually, with a focus on the implementation of the recommendations of the previous years board performance evaluation. It covered similar areas as those in the 2013 Board Performance Evaluation: dynamics and overall impression of the Board; organisation of the Board; Committee organisation; Board composition; Board involvement and engagement; communication with shareholders and stakeholders; and overall Board effectiveness.

The findings of the 2014 Board Performance Evaluation were that the recommendations of the 2013 Board Performance

Evaluation were, in general, effectively implemented as appropriate. CLP's corporate governance policies and processes continue to be strong. They satisfy and/ or exceed the Stock Exchange Code and Listing Rules requirements. Any exceptions to the Stock Exchange Code are relatively minor, are recognised by the Company and are capable of being suitably explained. A copy of the [conclusion of the 2014 Board and Board Committees Performance Evaluation](#) has been published on the CLP website. The Board considered the findings and recommendations of the Company Secretary on the 2014 Board and Board Committees Performance Evaluation at its meeting on 8 May 2015 and approved the recommendations for implementation with a view to making further improvements in Board effectiveness. 

Board performance is evaluated on an ongoing basis with an independent evaluation every three years. In line with this interval, the performance evaluation of the Board as a whole and its Board Committees for 2015 will be undertaken by an independent external consultant during 2016 and management had undertaken a competitive tendering process for engagement of the consultant. The evaluation of the Board for 2015 is expected to be completed in 2016 with the summary of findings to be disclosed in our 2016 annual report.

Company Secretary

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. The Company Secretary advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman and the CEO, all Directors may call upon the Company Secretary for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

After having served the CLP Group for 27 years and as the Company Secretary of the Company for over 10 years, Mrs April Chan retired from the Company on 31 December 2015. The position of Company Secretary was succeeded by Mr David Simmonds, the Group General Counsel & Chief Administrative Officer of the Company.


Management and Staff

The task of CLP's management and staff is the successful implementation of strategy and direction as determined by the Board. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board and CLP's shareholders and other stakeholders.

The division of responsibilities as between the Board, Board Committees, CEO and management is aligned with the provisions of the CLP Code. The written procedures documenting the delegation by the Board of specific authorities, including those to management, are expressed in the form of a "Company Management Authority Manual" (CMAM). Revisions to the CMAM which amend the approved

authority delegated from the Board to Board Committees and the CEO require the approval of the Board. Revisions to delegation to management and staff below the level of the CEO can be approved by the CEO.

To facilitate the sharing of information, coordination of resources and activities at Group level and serve as a consultation point for decisions which are material for the CLP Group, a Group Executive Committee comprising all the Senior Management members (as listed on page 107) is in place under the chairmanship of the CEO.

All management and staff are subject to a formal Code of Conduct which places them under specific obligations as to the ethics and principles by which our business is conducted. This [Code of Conduct](#), which has been aligned across the CLP Group, is set out in full on our website. Management and staff receive training on the Code and its implications periodically. Management and staff above a designated level or in certain functions are required to sign annual statements confirming compliance with the Code. 

We have a Whistleblowing Policy to encourage employees and related third parties (such as customers and suppliers) who deal with CLP to raise concerns in confidence about misconducts, malpractices or irregularities in any matters related to CLP. A whistleblowing policy specific for EnergyAustralia and a whistleblowing policy specific for CLP India to reflect the local legislative requirements were also adopted. During 2015, there were 15 cases of whistleblowing (2014: eight).

Non-compliance with the Code of Conduct results in disciplinary action. Disciplinary measures are decided by the relevant line management. These measures are then subject to review and endorsement by a Group Code of Conduct Committee, which comprises the CFO, Group General Counsel & Chief Administrative Officer and Chief Human Resources Officer, in order to ensure the consistency and fairness of treatment. In 2015, a separate Code of Conduct Committee was established for EnergyAustralia to provide quicker turnaround on Australian Code of Conduct violations. The EnergyAustralia Code of Conduct Committee acts only for non-senior EnergyAustralia's employees and cases involving senior EnergyAustralia's employees will continue to be brought to the Group Code of Conduct Committee. During 2015, there were six breaches (2014: seven) of the Code. Sanctions applied ranged from reprimands to dismissal. No breaches of the Code were material to the Group's Financial Statements or overall operations and none involved Senior Management. Non-compliance with the Code of Conduct cannot be waived.

Corporate Governance Report

We have voluntarily extended the CLP Code for Securities Transactions to cover Senior Management and other “Specified Individuals” such as senior managers in the CLP Group. All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2015 they complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.

Save for the interest disclosed by Mr Richard Lancaster in the Directors’ Report on page 173 of this Annual Report, the interest in 600 shares each respectively disclosed by the Managing Director – CLP Power Hong Kong, the Managing Director – China and the Chief Human Resources Officer, the other members of the Senior Management did not have any interests in CLP Holdings’ securities as at 31 December 2015.

Members of Senior Management are paid in line with market practice and with regard to their performance. The principles and details of the remuneration of individual members of Senior Management are set out in the Human Resources & Remuneration Committee Report at page 148 of this Annual Report.

We have a formal procedure in place for reporting the training and continuous professional development of Senior Management. Whilst we recognise that the majority of personal development comes from on-the-job experience, we also encourage members of Senior Management to supplement this through a variety of training activities. These include selective nominations to formal executive development programmes at leading business schools, attendance at executive briefings on matters of topical interest, and access to on-line learning and information sources. We also make selective use of systematic and independent executive assessment processes to assist with identifying individual development needs and provide inputs to our succession planning decisions.

Participation in Training and Continuous Professional Development of Senior Management in 2015				
	Attending formal executive development/training programme	Attending expert briefings/ seminars/ workshops/ conferences relevant to the business or their duties	Participating as speakers at events	Access to web based learning resources
Senior Management				
Mr Richard Lancaster	✓	✓	✓	✓
Mr Geert Peeters		✓		✓
Mr Derek Parkin ¹		✓		✓
Mrs Betty Yuen		✓	✓	✓
Mr Paul Poon		✓	✓	✓
Mr S. H. Chan		✓	✓	✓
Mr Rajiv Mishra		✓	✓	✓
Ms Catherine Tanna		✓		✓
Mr David Simmonds	✓	✓	✓	✓
Ms Quince Chong		✓	✓	✓
Mr Roy Massey		✓	✓	✓

Note:

¹ Mr Derek Parkin was appointed as a member of Senior Management on 22 September 2015.

Internal Auditors

CLP's Group Internal Audit (GIA) department plays a major role in monitoring the internal governance of the CLP Group. The department is led by the Director – Group Internal Audit and includes 26 other staff with professional qualifications (including for example, from the Hong Kong Institute of Certified Public Accountants (HKICPA)). The tasks of the department are set out in the CLP Code and include:

- unrestricted access to review all aspects of the CLP Group's activities and internal controls;
- comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries on a regular basis; and
- special reviews of areas of concern identified by management or the Audit Committee.

The Director – Group Internal Audit reports directly to the Audit Committee and the CEO and has direct access to the Board through the Chairman of the Audit Committee. The Director – Group Internal Audit has the right to consult the Committee without reference to management.

During 2015, GIA issued reports to Senior Management covering various operational and financial units of the Group, including joint venture activities outside Hong Kong. GIA also conducted reviews of major projects and contracts as well as areas of concern identified by management. An external review of CLP's GIA department as an internal audit function is conducted every four years and this was conducted in 2015. The Committee reviewed the findings and recommendations and from which, noted the function as a high performing one and also the recommendations for consideration in 2016.

The annual audit plan, which is approved by the Audit Committee, is based on a risk assessment methodology, which assists in determining business risks and establishing audit frequencies. Concerns which have been reported by GIA are monitored regularly by management and by the Audit Committee until corrective measures have been implemented.

External Auditor


The Group's external auditor is PwC. PwC has written to the Audit Committee confirming that they are independent with

respect to the Company and that there is no relationship between PwC and the Company which may reasonably be thought to bear on their independence. In order to maintain their independence, PwC will not be employed for non-audit work unless the non-audit work meets the criteria suggested in the Listing Rules and has been pre-approved by the Audit Committee. In addition, there must be clear efficiencies and value-added benefits to CLP from that work being undertaken by the external auditor, with no adverse effect on the independence of their audit work, or the perception of such independence.

During the year, the external auditor (which for these purposes includes any entity under common control, ownership or management with the external auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) provided the following audit and permissible audit related and non-audit services to the Group:

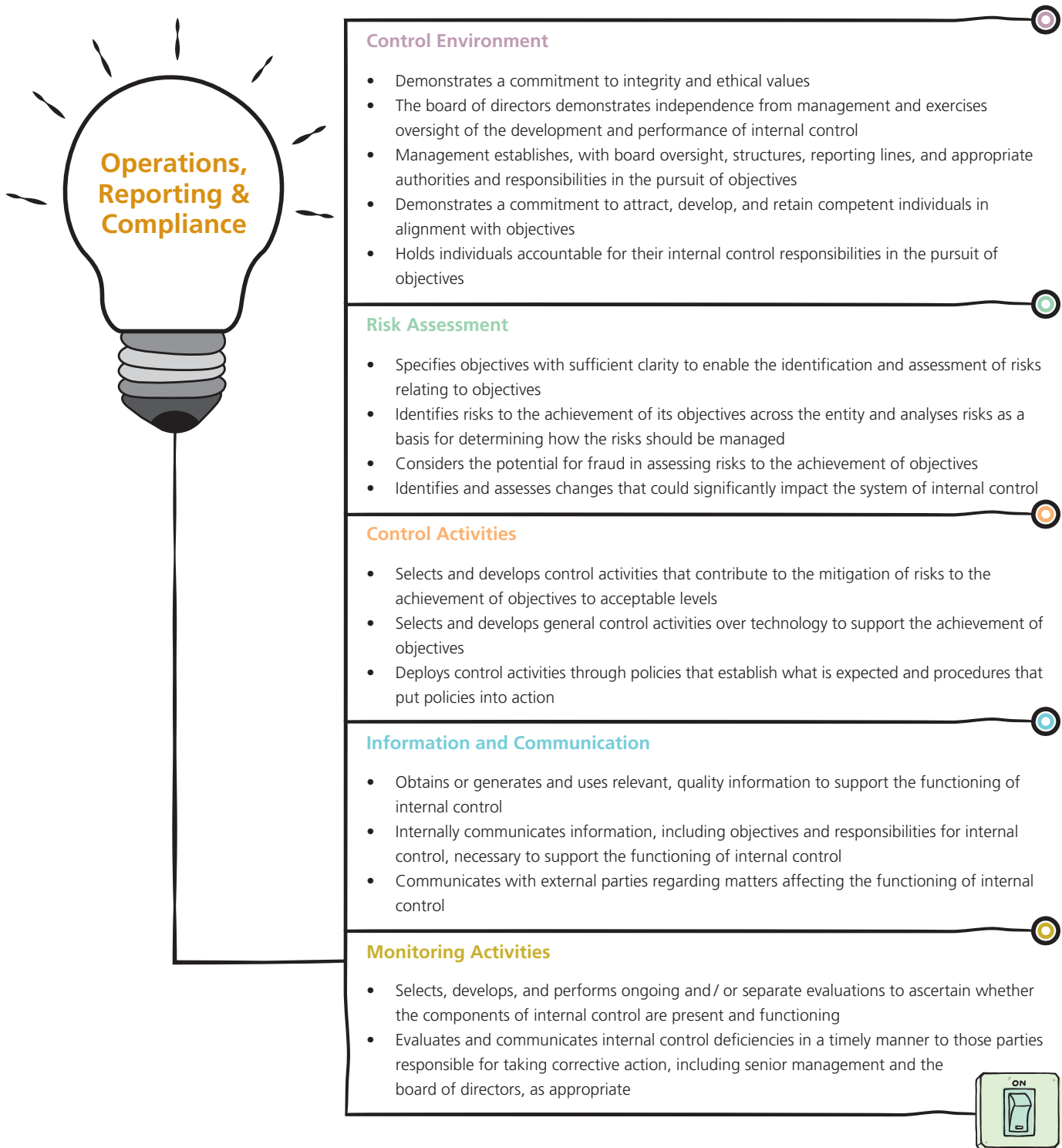
	2015 HK\$M	2014 HK\$M
Audit	39	37
Permissible audit related and non-audit services		
Accounting / tax advisory services relating to business development	2	1
Other services	6	6
Total	47	44

Other Stakeholders

Good governance requires due regard to the impact of business decisions (including environmental impact), both on shareholders and on other key stakeholders. This Annual Report and our [Sustainability Report](#) available online explain how we discharge our responsibilities to employees, customers, lenders, the environment and the communities in which we operate. 

Internal Control

The Company has had in place for many years an integrated framework of internal controls which continues to be consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework which comprises 17 principles on effective internal controls as illustrated below:



Under our framework, management (which includes qualified accountants) is primarily responsible for the design, implementation, and maintenance of internal controls, while the Board of Directors and its Audit Committee oversee the actions of management and monitor the effectiveness of the controls that have been put in place.

Control Standards, Checks and Balances

The Company's expectations regarding duty and integrity are clearly spelt out in formal policy manuals, which include the Company's Code of Conduct and Management Control Standards Manual. Similar controls are implemented at our subsidiaries.

Our Management Control Standards form the backbone of all our major policies and procedures. They set out the basic control standards required for the formulation and administration of Group policies and for the planning, organising, and functioning of business entities. The standards cover those required for administrative and operating activities such as delegation of authority, personnel administration, planning, budgeting, performance monitoring, contracting, computer systems and facilities, safeguarding information and derivative instruments. They also cover those standards established to ensure the integrity and objectivity of accounting and financial records and that the objectives of authorisation, accounting and safeguarding of assets are met.

In CLP, our internal control system covers every activity and transaction of our Group. Our system is based on clear stewardship responsibilities, authorities and accountability. We emphasise to our employees that everyone, no matter where he or she stands in the corporate hierarchy, is an important part of our internal control system and we expect them to contribute to that system.

Built into our system are checks and balances such that no one party can "monopolise" a transaction, activity or process to conceal irregularities. As an integral part of our internal control system, well defined policies and procedures are properly documented and communicated.

In addition to setting out guidelines, principles and values, we recognise that an environment where employees feel free to bring problems to management is also necessary to make our internal control system effective. Our Code of Conduct and Whistleblowing Policy make it clear that all reports to management will be handled confidentially to the fullest extent possible under the circumstances and, most importantly, that members of the Senior Management will fully support those who in good faith report potential or actual breaches of the Code of Conduct and any possible improprieties in any matters related to the Company.

No matter how well an internal control system is designed and maintained, it can only provide reasonable, but not absolute, assurance. No system of control can totally eliminate the

possibility of human error and deliberate attempts to defraud the Company. Recognising this, we maintain an effective GIA function, whose main features include:

- independence from operational management;
- fully empowered auditors with access to all data and every operation of the Group;
- adequate resources and well qualified and capable staff; and
- risk-based auditing, concentrating on areas with significant risks or where significant changes have been made.

Control Processes

Upon the redemption of its "Yankee" bonds on 17 April 2006, CLP Power Hong Kong was no longer required to comply with the US Sarbanes-Oxley Act. As a foreign private issuer, CLP Holdings remained subject to the Sarbanes-Oxley Act until 29 January 2008, whereupon CLP's deregistration from the US Securities and Exchange Act reporting system took effect.

CLP's action to deregister and to no longer be subject to the Sarbanes-Oxley Act does not imply any weakening in our internal control disciplines or in our commitment to timely, honest and accurate financial reporting to our shareholders. Our aim is to maintain compliance with the substance of the Sarbanes-Oxley Act's requirements without being bound by the form. Whenever internal control disciplines fall short of those envisaged by Sarbanes-Oxley Act they will be remedied.

Management and employees, assisted by external consultants with particular experience in the design and implementation of internal control systems, have evaluated our control environment and conducted risk assessments of businesses and processes, both at the entity level and the various processes/ transactions levels. We have documented those processes which are critical to the Group's performance.

Within this exercise, key risks have been identified, along with the controls required to mitigate those risks, after which, such key risks and controls are continually reviewed and updated on an annual basis. High-risk key controls are tested annually by our management and GIA. Based on the results of those tests, process owners are able to represent to Senior Management that their internal controls are working as intended or that necessary corrections have been made where control weaknesses have been found. Internal auditors report to Senior Management that controls have been working properly or that changes have been made to ensure the integrity of financial statements. The external auditor also tests the key controls to the extent that they will be relied on for the audit.

Corporate Governance Report

The CEO and CFO have a personal obligation to maintain the effectiveness of the disclosure controls and internal controls over financial reporting, and to report to the Audit Committee and the Group's external auditor any significant changes, deficiencies and material weaknesses in, and fraud related to, such controls.

The CEO and CFO submit an annual "General Representation Letter" to the Audit Committee, in which they give a personal certification of compliance by themselves and their subordinates with a range of key internal control systems, disciplines and procedures, which cover financial and relevant non-financial information. These letters rest on similar letters of representation issued by individual managers across the CLP Group, which certify compliance with internal controls as to their particular businesses, departments and activities. These General Representation Letters reinforce personal responsibility for good governance and controls at all levels within the Group.

The digital Group Internal Control System, which was introduced in 2012 for managers to complete their representation letters, has enhanced the promptness and thoroughness in completion of the General Representation Letter process with a view to bringing material issues, if any, to the attention of the CEO and CFO in a timely manner.

In keeping with best practices, CLP Holdings has an anti-fraud policy that states the Company's commitment to preventing, detecting and reporting fraud. The policy clearly defines the roles and responsibilities of Directors, officers, employees and auditors in developing and carrying out specific programmes to eliminate fraud.

Individual managers are required to make annual representations related to the prevention, identification and detection of fraud in their respective areas. A checklist providing examples of fraud schemes and potential fraud risks has been developed to assist each business unit to conduct a fraud risk assessment and to identify appropriate anti-fraud controls.

To further strengthen the monitoring of the Group's overall risk management approach and strategy, a Group Risk Management Framework is in place to improve communication of identified risks within management, measure the impact of the identified risks and facilitate implementation of coordinated mitigating measures. The way we manage risk is set out in the Risk Management Report at page 130. The Audit

Committee oversees the development and implementation of the Group Risk Management Framework.

Control Effectiveness

The Board is responsible for the Company's internal control system and for reviewing its effectiveness. GIA and management conduct reviews of the effectiveness of the Company's internal control system, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of GIA and management on the effectiveness of the Company's internal control system five times a year, and reports regularly to the Board on such reviews.


In respect of the year ended 31 December 2015, the Board considered the internal control system effective and adequate. No significant areas of concern that might affect shareholders were identified during the Relevant Period.

The effectiveness of the Audit Committee itself is reviewed annually through a formal process which involves the Company Secretary preparing an evaluation of its effectiveness. This is examined by the internal and external auditors before endorsement by the Board.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Securities and Futures Ordinance safe harbours;
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively;
- has implemented and disclosed its own policy on fair disclosure (set out in Section V of the CLP Code);
- has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information; and
- has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior managers of the Group are identified and authorised to act as the Company's spokespersons and respond to enquiries in allocated areas of issues.

The Company has also published [Continuous Disclosure Obligation Procedures](#) which formalised the current practices for monitoring developments in our businesses for inside information and communicating such information to our shareholders, the media and analysts. These Procedures are on the CLP website. Training on the implementation of the Procedures has been provided to CLP's management, subsidiaries and joint ventures. 

Communication with Shareholders

CLP aims to present a clear and balanced assessment of its financial position and prospects. Financial results are announced as early as possible, and audited financial statements are published within three months after the end of the financial year. Quarterly statements are issued to keep shareholders informed of the performance and operations of the Group.


CLP's [2015 Sustainability Report](#), published online at the same time as this Annual Report, describes in detail our delivery of social and environmental value in 2015 and contributes to integrated reporting about all aspects of our activities. The Report discloses our achievements and shortcomings in managing the social and environmental aspects of our business in a comprehensive, honest and accessible way. It also includes an independent assurance report from PwC. We welcome feedback on both the Annual and Sustainability Reports. 

A detailed account of CLP's different channels of communication with our Shareholders is set out in the "Shareholder Value and Engagement" section at page 20 of our Annual Report. Pursuant to the authority delegated from the Board, the Audit Committee has reviewed the implementation of the Shareholders' Communication Policy in 2015 and considered the communication with Shareholders effective.




CLP Power Hong Kong Chairman William Mocatta exchanges views with shareholders at a shareholder visit

Reporting via Internet

The CLP website is a major channel for providing our shareholders and other stakeholders with information on the Company's corporate governance structure, policies and systems. The "About CLP" and "Investors Information" sections of our website include: 



We recognise that not all shareholders and stakeholders have ready access to the internet. For those who do not, hard copies of the [CLP website information](#) listed above are available free of charge upon request to the Company Secretary. 

Corporate Governance



Corporate Governance – Continuing Evolution and Disclosure

We make a constructive and informed contribution to the ongoing debate about corporate governance in Hong Kong through frequent and active participation in seminars and workshops. We also make a point of responding to every public consultation by the regulatory authorities on proposed governance and regulatory reforms. For example in 2015 we submitted our views on issues relating to principles of responsible ownership and review of the ESG Reporting Guide. We always post our [submissions](#) on our website so that shareholders can judge whether we have properly reflected their views and their interests. [🔗](#)

Our own corporate governance practices evolve, not only in line with local requirements, but through our own experience and by reference to international developments. Through this [Corporate Governance Report](#), the [CLP Code](#) and the [Corporate Governance section](#) of our website, we offer a full view of our practices and policies and how these are evolving. Our objective is that, at all times, our corporate governance meets our shareholders' expectations and serves their interests. We will continue to review and, where appropriate, improve on our corporate governance practices in light of evolving experience, regulatory requirements and international developments. [🔗](#)

By Order of the Board

A handwritten signature in black ink, appearing to read 'Simmonds', with a large, stylized flourish extending downwards and to the left.

David Simmonds
Company Secretary
Hong Kong, 29 February 2016