

Risk Management Report

Effective risk management that takes into account the need to balance risks and opportunities is critical to the long-term growth and sustainability of CLP's business.

CLP's Risk Management Framework

Risk is inherent in CLP's business and the markets in which it operates. CLP aims to identify risks early so they can be understood, managed, mitigated, transferred, or avoided. This demands a proactive approach and an effective group-wide risk management framework. The risk management framework at CLP comprises four key elements:

1. Risk management philosophy
2. Risk appetite
3. Risk governance structure
4. Risk management process

CLP's Risk Management Philosophy

CLP recognises that risk management is the responsibility of everyone within the Group. Risk management is therefore integrated into all business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.

CLP has clear risk management objectives:

- At a **strategic level**, CLP focuses on the identification and management of material risks inherently associated with the pursuit of the Group's strategic and business objectives. In pursuing growth opportunities, CLP aims to optimise risk and return decisions as defined and quantified through diligent and independent review and challenge processes.
- At an **operational level**, CLP aims to identify, analyse, evaluate, and mitigate all operational hazards and risks. It does this in order to create a safe, healthy, efficient, and environmentally-friendly workplace for employees and contractors while ensuring public safety and health, minimising environmental impact, and securing asset integrity and adequate insurance.

CLP's Risk Appetite

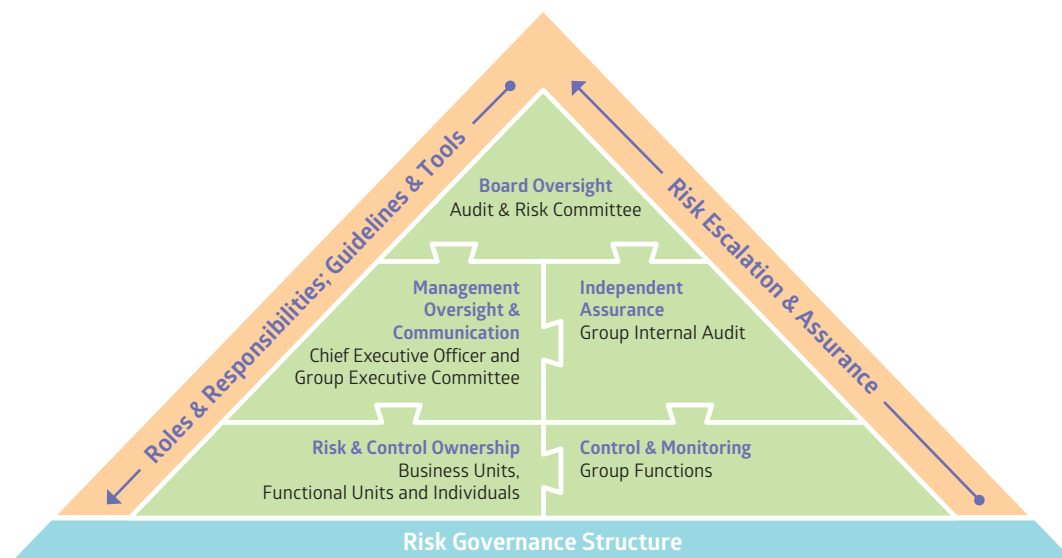
CLP's risk appetite represents the nature and extent of the risks the Group is willing to undertake in pursuit of strategic and business objectives. In line with CLP's Value Framework and the expectations of stakeholders, CLP only takes reasonable risks that fit its strategy and capability, can be understood and managed, and do not expose the Group to:

- Hazardous conditions affecting safety and health of employees, contractors, and/or the general public;
- Material financial loss impacting the financial viability and strategy execution of the Group;
- Material breach of external regulations leading to loss of critical operational and business licences, and/or substantial fines;
- Material damage to the Group's reputation and brand name;
- Business or supply interruptions leading to severe impact on the community;
- Severe environmental incidents.

CLP's Risk Governance Structure

CLP's risk governance structure:

- Facilitates risk identification and escalation while providing assurance to the Board.
- Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools.
- Adopts the **Five Lines of Assurance** approach as explained below:



Board Oversight

The Audit & Risk Committee, acting on behalf of the Board:

- Evaluates and determines the nature and extent of the risks the Board is ready to endorse in pursuit of the Group's strategic objectives;
- Ensures an appropriate and effective risk management framework is established and maintained;
- Oversees management of risk identification, reporting, and mitigation efforts.

Independent Assurance

The Group Internal Audit:

- Carries out independent appraisal of the effectiveness of the risk management framework.

Management Oversight and Communication

The Chief Executive Officer and the Group Executive Committee:

- Provide leadership and guidance for the balance of risks and opportunities;
- Review and report to the Board through the Audit and Risk Committee on the material risks affecting the Group as well as their potential impact, their evolution, and mitigating measures;
- Ensure that a review of the effectiveness of the risk management framework has been conducted at least annually and provide confirmation of this to the Board through the Audit and Risk Committee.

Control and Monitoring

Group Functions: Finance, Risk Management, Internal Control, Tax, Operations, Information Technology, Legal, Human Resource, Sustainability

- Establish relevant group-wide policies, standards, procedures, and guidelines;
- Oversee the risk and control activities of business units relevant to their respective functions.

Risk and Control Ownership

Business Units, Functional Units, and Individuals:

- Are responsible for identifying and assessing key risks in their areas of responsibility, making effective risk management decisions, establishing risk mitigation strategies, and promoting a risk-aware culture;
- Carry out risk management activities and reporting in their day-to-day operations and ensure risk management processes and mitigation plans follow good practices and guidelines established by the Group;
- Appoint risk managers or coordinators to facilitate communication, experience sharing, and risk reporting.

Group Risk Management

Our Group Risk Management function is tasked with:

- Implementing the Group's Risk Management Framework, and assisting business units in implementing their own frameworks;
- Managing regular risk review and risk reporting processes of the Group;
- Facilitating independent risk appraisal for projects seeking endorsement by the CLP Holdings Investment Committee;
- Facilitating risk communication, experience sharing, and risk reporting.

CLP's Risk Management Process

- **Integration is the key.** The process is integrated into business and decision-making processes, including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.
- **Starts with understanding the external environment and megatrends** which may have significant implications to CLP's business and markets.
- **The core process involves:**
 - ✓ Establishing scope, context, and risk criteria;
 - ✓ Identifying risks based on relevant, appropriate and up-to-date information;
 - ✓ Analysing risks with detailed consideration of risk sources, consequences, likelihood, events, scenarios, and existing controls and their effectiveness;
 - ✓ Evaluating risks against the established risk criteria to rank them and prioritise management efforts;
 - ✓ Developing control and mitigation plans.
- **Communication and Consultation:** It is a continuous and interactive process involving communication and consultation with stakeholders.
- **Monitoring and review:** It is subject to regular monitoring and review according to the established risk governance structure and process.
- **Recording and Reporting:** The process and its outcomes are documented and reported to facilitate communication and provide information for decision-making.



Megatrends

CLP recognises that certain external global trends could have a significant impact on its operating environment. These megatrends encompass significant political, economic, social, environmental and technological changes, and could rapidly evolve, changing the context in which the company operates. This is why they are important in the process of identifying risks that could affect CLP's strategy execution and operational performance.

Based on the megatrends analysis, the below are the most relevant for the company. Specific risks identified under each topic are assessed in the integrated risk management process.

- Climate change mitigation and adaptation
- Technology as an enabler and a disruptor
- Risks to cyber security and data privacy
- Ever-changing operating environments require an agile, inclusive, and sustainable workforce

Detailed discussions on CLP's responses to these topics and future outlook are set out in the [2019 Sustainability Report](#). 

Risk Management as an integral part of CLP's business and decision-making processes – Examples

Quarterly Risk Review Process at Group Level

An integrated top-down and bottom-up risk review process

CLP adopts an integrated top-down and bottom-up risk review process to enable:

- (1) Comprehensive identification and prioritisation of all material risks throughout the Group;
- (2) Containment of material risks at the right managerial level;
- (3) Effective risk dialogue among the management team;
- (4) Proper governing of risk mitigation efforts.

Top-down Process

- At the Group Risk Management quarterly meetings, members of the Group Executive Committee discuss the top-tier risks and examine any other risk issues they consider important. This dialogue offers an opportunity for management to identify and respond to emerging risks early on, voice risk concerns, share risk insights, and seek risk management guidance.
- Group Risk Management facilitates the review of emerging risks by compiling relevant information from both internal and external sources.
- Emerging risks that are identified and considered material are further assessed and monitored by relevant business units or group functions.

Bottom-up Process

- CLP's business units and group functions are required to submit their lists of material risks identified through their risk management process to Group Risk Management on a quarterly basis.
- Through a diligent process of aggregation, filtering, prioritising, and consultation, Group Risk Management compiles a Quarterly Group Risk Management Report for review and discussion by the Group Executive Committee.
- Upon approval, the report is submitted to the Audit & Risk Committee on a quarterly basis. 'Deep dive' presentations on selected risks are presented to the Audit & Risk Committee for more detailed review.

Risk Review Process for Investment Decisions

- CLP adopts a multi-gated system of periodic project appraisals during development and investment cycles.
- CLP requires independent, multi-disciplinary review of any investment proposal. Independent risk appraisal by Group Risk Management is part of the investment review process.
- Group Risk Management ensures a detailed project risk assessment is carried out for each investment project. Detailed checklists and worksheets are used to identify risks and mitigations and to assess risk levels. Material risks and associated mitigations are highlighted and discussed at the Investment Committee, chaired by the CEO.

Risk Management Integrated with Internal Control Systems

- Risk management is closely linked to CLP's Integrated Framework of Internal Control. Key controls are subject to testing in order to assess their effectiveness. Details on Internal Control are set out in the Corporate Governance Report on pages 138 to 139.

Risk Management in the Business Planning Process

- As part of the annual business planning process, business units are required to identify all material risks that may impact the delivery of their business strategy and objectives. Overarching strategic risks to the Group are also reviewed. Identified risks are evaluated based on the same set of risk criteria as the quarterly risk review process and plans to mitigate the identified risks are developed. The material risks listed on pages 145 to 150 have been laid out in CLP's 2019 business planning process.

Material Risks to the Group



As an investor and operator in the energy sector of the Asia-Pacific region, CLP categorises its risk profile into five key risk areas: Regulatory, Financial, Market, Commercial, and Industrial and Operational. CLP's 2019 business planning process has identified the following areas as material risks to the Group:

Climate Change Risks

Climate change risks are embedded in CLP's risk management process and risk register. CLP identifies, assesses, and manages climate change risks alongside all other types of risk as part of its Risk Management Framework. It has established risk profiling criteria to help assess and prioritise each identified risk according to its consequence and its likelihood. In assessing the consequence of a risk, CLP considers both financial and non-financial types of consequences including: Safety and Health, Environment, Regulatory and Governance, Reputation, Financial and Operations and Systems.

According to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), climate change risks can be classified into two major categories:

- **Transition risks** – Transitioning to a lower-carbon economy may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, and may pose varying levels of financial impacts as well as reputational risk to the Group.
- **Physical Risks** – Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns, causing direct damage to assets and indirect impacts from supply chain disruption.

The Group Top-Tier Risk tables on pages 146 – 150 indicate the risks with either **Transition**  or **Physical**  risk drivers, or both.

Additional References: pages 21 – 22 in CEO's Strategic Review, 95 – 96 in Natural Capital.

Regulatory Risk

In Hong Kong, CLP’s capability to achieve more stringent performance targets and new incentives under the new Scheme of Control Agreement presents a short-term regulatory risk exposure while the risk of adverse regulatory changes in the medium to longer term remains possible.

The Group’s Australian business continues to face regulatory challenges on numerous fronts which may restrict the margin recovery and increase the complexity as well as the cost of market operations. The implementation of regulated default market offers on 1 July 2019, which mandates lower, regulated “safety net” retail tariffs, led EnergyAustralia to record a one-off, non-cash goodwill impairment.

In Mainland China, the implementation of power sector reforms gathered pace in 2019. Authorities released the Renewable Portfolio Standard which sets provincial renewable energy targets from 2020. The trial operations of the electricity spot market have also started in eight provinces.

CLP manages by:

- a) Close monitoring of regulatory development and market/public sentiment;
- b) Working constructively with governments to advocate our position on regulatory changes;
- c) Implementing comprehensive stakeholder engagement plans to facilitate sensible and informed discussion on regulatory matters;
- d) Mobilising internal resources to ensure timely responses to regulatory changes and maintaining regulatory compliance and oversight;
- e) Communicating and highlighting the importance of a balance between a reliable and safe supply, care for the environment, and reasonable tariffs;
- f) Reinforcing CLP’s efforts in caring for the community and promoting energy efficiency.

Group Top Tier Risk – Regulatory	Changes in 2019	Additional References
Uncertain regulatory changes impacting EnergyAustralia 		Pages 21, 63 – 64
Regulatory and political risk of Hong Kong business 		Pages 41 – 46
Uncertain impact of Mainland China power sector reforms 		Page 53
Challenge of future tariff adjustments for Hong Kong business 		Page 41

 Risk level increased

 Risk level decreased

 Risk level remains broadly the same

 Transition Risk

 Physical Risk

Financial Risk

CLP's investments and operations, which are long-term in nature, are exposed to financial risks in the areas of cash flow and liquidity, credit and counterparty risks, interest rate risks, and foreign currency risks.

Group-level earnings may also be impacted by marked-to-market fair value movements as some of CLP's economic hedges do not qualify for hedge accounting according to the Hong Kong Financial Reporting Standards.

Volatile foreign exchange and equity markets have further increased the cost of securing financing for CLP's operating and development projects.

In 2019, credit ratings of CLPH and CAPCO remained unchanged with stable outlooks.

CLP manages by:

- a) Maintaining strong investment grade credit ratings and preserving a healthy capital structure;
- b) Soliciting adequate and cost-effective funding;
- c) Securing debt funding diversity and maintaining an appropriate mix of committed credit facilities;
- d) Maximising the use of local funding options;
- e) Hedging most transactional foreign currency exposures in line with CLP's Treasury Policy;
- f) Pursuing "natural hedge" by matching the currency of revenue, cost, and debt as well as ensuring project level debt financing is denominated in and/or swapped into a functional currency;
- g) Controlling financial counterparty exposure by transacting only with creditworthy and pre-approved financial institutions, allocating exposure limits based on bank's credit standing, and ensuring non-recourse to CLPH for counterparties of CLPH's subsidiaries and affiliates;
- h) Maintaining good, trustworthy relationships with lenders (banks and bondholders);
- i) Ensuring transparency in financial communications and disclosures.

Group Top Tier Risk – Financial	Changes in 2019	Additional References
Foreign currency risk associated with the Group's investments	← →	Pages 72 – 76, 282 – 283, 288 – 290
Group's liquidity risk of adequate funding	← →	Pages 72 – 76, 285 – 287
Default of Group's financial counterparties	← →	Pages 72 – 76, 285

Market Risk

In Australia, the retail market remains intensely competitive while the continuation of high and volatile wholesale prices has raised the costs of procuring energy, impacting CLP’s supply costs.

In Mainland China, changes in the structure of the economy, tighter environmental rules, oversupply and increasing market sales through competitive bidding have led to lower tariffs, mostly affecting earnings of the thermal power plants.

CLP manages by:

- a) Managing market offers (e.g. pricing) and other service differentiators for customer acquisition and retention;
- b) Actively managing CLP’s wholesale energy portfolio and implementing hedging strategies to align wholesale and retail positions;
- c) Following approved energy risk policy, with energy market transactions subject to approved limits and controls;
- d) Exploring different revenue streams and value-added services for customers; continuing business innovations to meet evolving customer needs;
- e) Improving current operations, fuel procurement, and development strategy while closely monitoring operating cash flow in view of market volatility;
- f) Investing in plant reliability and upgrades and delivering good plant performance;
- g) Specific to Mainland China:
 - Proactively engaging with governments to advocate our position on coal supply issues, tariff adjustments, and dispatch;
 - Pricing market sales at an optimal margin to secure more generation and maintain higher dispatch priority;
 - Pursue steam sales to increase plant usage.

Group Top Tier Risk – Market	Changes in 2019	Additional References
Energy market volatilities impacting EnergyAustralia 		Pages 63 – 64, 69, 284
Volume risk, tariff risk and coal supply issues affecting Fangchenggang power station 		Pages 49 – 51









Commercial Risk

Commercial risk refers to potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties. It is important to ensure that CLP's trading partners or counterparties are reliable, financially healthy, and willing to abide by the contracts.

Currently, commercial disputes with offtakers over the implementation of power purchase agreements (PPAs), counterparties' financial health, value chain interruption such as fuel supply and ash disposal, reduced energy margins, and price volatility are key commercial risks impacting CLP. Cash flow from renewable energy projects also suffers from payment delays in Mainland China and India.

CLP manages by:

- a) Diligently pursuing resolution of payment delays and disputes with offtakers;
- b) Monitoring the financial health of our counterparties including offtakers, fuel suppliers, equipment suppliers, engineering, procurement, construction (EPC) companies, and operation and maintenance contractors;
- c) Liaising with fuel suppliers to mitigate ongoing sources of environmental, economic, operational, delivery and credit risks affecting fuel supply security; pre-establishing contingency planning for potential supply disruptions;
- d) Diversifying fuel sources and fuel procurement strategy in order to secure a stable supply of fuel at competitive cost;
- e) Reviewing the merit order of plants and ensuring their competitiveness in the long run.

Group Top Tier Risk – Commercial	Changes in 2019	Additional References
EnergyAustralia's Mount Piper coal supply risk 		Pages 21, 64
Major commercial disputes with offtakers over PPAs in India		A provision was made in the financial statements. See contingent liability disclosure on pages 276 – 277
Hong Kong gas supply security 		Pages 20, 42 – 43
Counterparty risk of Indian EPC and O&M contractors		Page 277
Delay of tariff payments in India and renewable energy subsidies in China		Pages 49, 59
Litigation related to EnergyAustralia's Iona gas plant disposal		Page 277











Industrial & Operational Risk

CLP's operations are exposed to a variety of industrial and operational risks relating to Health, Safety, Security and Environment (HSSE) incidents, plant performance, human capital, data privacy, cyber security, and extreme weather events as a result of climate change.

Social turmoil in Hong Kong could pose potential security threats to Hong Kong facilities, impacting employee safety and supply reliability.

CLP manages by:

- a) Implementing a HSSE improvement plan, involving all stakeholders, to rethink risks, and build and promote a sound safety culture across the Group and with contractors and sub-contractors. A group-wide initiative targets the elimination of exposure to serious injuries and fatalities through specific interventions;
- b) Planning and implementing operations and system reinforcements where necessary in order to maintain high operational and emissions performance;
- c) Maintaining emergency response and crisis management plans with regular drills;
- d) Implementing a group-wide Project Management Governance System to facilitate a consistently safe, timely and cost-effective delivery of high-quality projects;
- e) Implementing appropriate controls, technologies and practices at all levels to mitigate cyber security risks so as to (i) avoid disruption to energy supply systems (ii) protect confidentiality, integrity and availability of information assets (iii) protect customer data privacy and prevent leakage of sensitive data, and (iv) comply with the necessary regulatory requirements.

Group Top Tier Risk – Industrial & Operational	Changes in 2019	Additional References
Major HSSE incidents at construction or operating plants 		Pages 16, 22, 45, 51, 57, 67, 84 – 85, 97 – 99
Cyber security – Breach of integrity or availability of operational technology systems		Pages 78, 156
Cyber security – Breach of information technology systems		Pages 78, 156
Hong Kong social turmoil affecting CLP Power	<i>New</i>	Page 44
Performance risk of wind power projects 		Pages 49 – 50, 55– 56
Extreme weather events 		Pages 21 – 22, 80
Delays in Hong Kong major projects delivery		Page 42
EnergyAustralia's commercial loss due to plant unavailability		Page 64

Effectiveness Review of Risk Management and Internal Control Systems

CLP adopts the Five Lines of Assurance approach to coordinate and optimise its risk and assurance efforts as described on pages 142 to 143 of this Report. Combined assurance includes Board oversight by the Audit & Risk Committee, management oversight by the CEO and the Group Executive Committee, independent assurance by internal audit, control and monitoring by group functions, and risk and control ownership by business units. It should be acknowledged that CLP's risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement.

The Audit & Risk Committee, on behalf of the Board, has reviewed the effectiveness of the Group's risk management and internal control systems during the period covered by this Annual Report. The details of the effectiveness review are described in the Corporate Governance Report on page 140 and the Audit & Risk Committee Report on page 155.

A handwritten signature in black ink, appearing to read 'G. Peeters', is written over a horizontal line.

Geert Peeters

Executive Director & Chief Financial Officer

Hong Kong, 24 February 2020

Audit & Risk Committee Report

Members

The Members of the Audit & Risk Committee are appointed from the Independent Non-executive Directors by CLP Holdings' Board of Directors. The Independent Non-executive Directors who served on the Committee during the reported period (full year 2019 and in 2020 up to the date of this Report) (the Period) were:

- Mr Vernon Moore (the Chairman);
- Mr Nicholas C. Allen;
- Mrs Fanny Law; and
- Ms May Siew Boi Tan.

[Biographies](#) of the Members are set out on pages 102 to 107 and on the CLP website. [🌐](#)

In the course of performing its role and function, the Committee must work closely with the auditors and management-level group functions. As such, in addition to the Members, regular attendees at the Committee's meetings were:

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Financial Officer – Mr Geert Peeters;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds;
- Senior Director & Group Controller – Mr Pablo Arellano, who was appointed to this position on 1 October 2019 following the retirement of Mr Benjamin Lau, Senior Director – Group Financial Control on 30 September 2019;
- Senior Director – Group Internal Audit (GIA) – Ms Kathy Liu; and
- Independent Auditor – Mr Sean Tuckfield, the Engagement Partner, and others from PwC.

Other members of management attended the Committee meetings from time to time to make presentation and discuss matters of interest to the Committee.

Meetings and Attendance

During the Period, the Committee held six meetings in 2019 and another two meetings were held in 2020 up to the date of this Report. The Chairman met regularly and individually with each of PwC, the Senior Director – GIA and the CFO. The Committee introduced a new practice of commencing the Committee meeting with scheduled sessions in the absence of management for the Committee Members and PwC as well as sessions for Committee Members only. Two private meetings between Committee Members and PwC were held and four sessions for Committee Members only were held during the Period.

Individual attendance of Members for the 2019 meetings is set out in the Corporate Governance Report on page 124.

Highlights of the Committee's Work

The primary task of the Committee is to ensure the integrity of CLP's financial reports so a great deal of time was spent upon examining the assumptions upon which they are built, and the control systems, procedures and audits that give assurance to the Committee and the Board that all is well. This can be seen in the key matters considered by the Committee set out in the table below.

One of the most significant judgements considered in the year was the need for, and size of, the impairment of the goodwill paid for the retail business of EnergyAustralia. The fact that this might become an issue was referred to the Committee as soon as it became apparent, as a result the Committee was able to follow the situation as it developed. In the final stages of our deliberations as to the acceptability of the proposed impairment we had available the detailed work not only of management, but also the attention to the issue by the EnergyAustralia Audit and Risk Committee (ARC) described below and the advice of the independent auditor.

CLP has a sophisticated and thorough system to identify and classify risks to the business. The result is scrutinised carefully by the Committee so many questions are asked for clarification to fully understand the implications and mitigants. Today the range of potential risks is widening in sometimes unexpected directions. One example is the

legislative changes that were an important contributor to the need for the EnergyAustralia retail impairment; also in Australia, the Committee asked for a briefing on the effect of bushfires on our business in Australia; in Hong Kong, we were briefed on the effect of social unrest in the second half of the year, and in 2020, the impact of the coronavirus situation.

The Committee has continued a strong interest in safety (being the top risk), and cyber security. We monitored the performance of these areas closely and received regular briefings. One matter of concern is the safety record of the major project in Hong Kong called "D1" on which the Committee has called for a number of briefings. It is excellent that the CLP Board has taken a keen interest in these topics and has requested reports on health and safety and cyber security, so all Directors are informed.

The Committee does not believe we can be effective by just receiving reports and sitting in a boardroom. To be effective, Members need to see and understand the business on-the-ground and meet its management.

In this spirit, the Committee Members visited in 2019 the Yangjiang nuclear plant in Mainland China when Unit 6 was then close to commissioning; and later in the year to the Yallourn power plant in Victoria Australia, and at the same time met the EnergyAustralia management team and its local audit team.

The following table shows the key topics the Committee considered at its meetings held during the Period:

	2019						2020	
	Jan	Feb	Apr	Jun	Jul	Oct	Jan	Feb
Risk Management, Internal Control and Compliance								
Quarterly risk management report		○	○		○	○		○
In depth briefing on high risks and processes								
▪ health and safety	○						○	
▪ cyber security				○		○		
▪ CLP India land acquisition process					○			
▪ EnergyAustralia payroll function and system						○		
Internal control review update		○		○		○		○
Management's general representation letter		○			○			○
Outstanding internal audit issues		○	○	○	○	○		○
Legal and regulatory compliance		○			○			○

Audit & Risk Committee Report

	2019						2020	
	Jan	Feb	Apr	Jun	Jul	Oct	Jan	Feb
Interim and Annual Financial Reports								
Annual and interim financial statements and reports		○			○			○
Assessment of critical accounting and judgemental issues	○	○		○	○		○	○
Sustainability Report data assurance review		○				○		○
Internal and External Auditing								
Internal audit results and audit issues		○	○	○	○	○		○
Internal audit administered policies and practices				○				
Ethical and controls commitment surveys			○					
PwC's audit report, audit plan and audit progress	○	○	○	○	○	○	○	○
Audit fees and non-audit engagements by auditors		○			○			○
Corporate Governance								
Corporate governance trends, developments and related policies						○		
Code of Conduct and whistleblowing cases		○	○	○	○	○		○
Continuing connected transactions		○						○

EnergyAustralia

CLP's subsidiary, EnergyAustralia, has its own board of directors that includes independent non-executive directors, distinct from CLP's Independent Non-executive Directors.

The EnergyAustralia board has established an ARC that carries out the functions of an audit and risk committee for EnergyAustralia's business. It is led by a very experienced chairman and its members are EnergyAustralia's non-executive directors independent of EnergyAustralia's management.

The Committee's work with respect to the operations of EnergyAustralia is strengthened and supplemented by this highly experienced EnergyAustralia ARC. There is an open invitation between this Committee and the EnergyAustralia ARC for members to attend the other committee's meetings.

During the Period, the Chairman of the Committee participated in three EnergyAustralia ARC meetings and the Chairman of EnergyAustralia ARC participated in one meeting of the Committee. The Committee Members also had the opportunity of meeting with members of the EnergyAustralia ARC informally.

In the Committee's assessment of the goodwill impairment of EnergyAustralia's retail business unit – the key factor in the impairment of its associated goodwill in the interim accounts, the briefing session was presented by EnergyAustralia's management and was joined by the EnergyAustralia ARC Chairman as well as EnergyAustralia's auditor representative. As the value of the retail business had been considered in depth by the EnergyAustralia ARC, the EnergyAustralia ARC Chairman's insights into how the possible ways the business might develop in the future and the complexity of the judgements being made were invaluable to this Committee.


Summary of Work Done

The Committee's key areas of focus for the Period are set out below. This also illustrates the manner in which the Committee discharges its responsibilities.

Areas of focus	
Risk Management, Internal Control and Compliance	
Risk management and internal control	<p>The Committee received and reviewed management's periodic internal control review updates and the Group's quarterly risk management reports.</p> <p>To provide further assurance to the Committee regarding the effectiveness of the risk management and internal control systems, the CEO and CFO provided to the Committee General Representation Letters describing the state of internal control and other matters prior to the publication of the interim and annual financial statements (see page 139 for further details regarding the General Representation Letters).</p> <p>The Committee's monitoring of the risk management and internal control systems were greatly assisted by GIA and by the independent auditor's report of their testing of the control environment of the Group. During the Period, no internal control issue that would be material to the integrity of the financial statements was identified.</p> <p>The Committee was satisfied that the Group's risk management and internal control systems were effective and adequate for the Period.</p> <p><i>Deep Dive Briefings</i></p> <p>During the Period, the Committee requested deep dive briefings from management on the following topics:</p> <ul style="list-style-type: none"> ▪ EnergyAustralia's retail pricing regulation; ▪ CLP Power Hong Kong major infrastructure projects management; ▪ CLP India land acquisition process; ▪ EnergyAustralia payroll function and system; ▪ cyber security – presented by the new Senior Director – Group Information Security, the Committee had participated in the review of cyber security governance that led to creation of this new position; ▪ Health, Safety and Environment; ▪ Australian bushfires impact assessment – requested contemporaneously given the seriousness of the situation and the proximity of the fires to EnergyAustralia's facilities and the infrastructure upon which EnergyAustralia's business is reliant; and ▪ the situation concerning the coronavirus. <p>The Committee also considered and discussed the potential implications and the associated mitigations of the risk items set out in the risk management reports.</p>

Areas of focus	
Risk Management, Internal Control and Compliance	
Compliance	<p>The Committee reviewed the Group's compliance with applicable legal and regulatory requirements including the CLP Code, the Stock Exchange Code, the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance.</p> <p>The Committee acknowledged that the only exception to compliance with all the mandatory and recommended requirements of the Stock Exchange Code is that CLP does not publish quarterly financial results (as a recommended requirement). The Committee continued to agree with the considered reasons for this exception; please refer to page 114.</p>
Cyber security	<p>Briefing on cyber security has been a regular feature on the Committee's meeting agenda for a number of years. Following a comprehensive review of cyber security governance in 2018, the Group created a new position of Group Information Security.</p> <p>The newly joined Senior Director – Group Information Security (Mr David Gracey) provided an initial assessment of the Group's cyber security. This was greatly valued by the Committee as Mr Gracey was able to provide a fresh perspective as an external specialist. Following the initial briefing, he was invited back and he presented a more detailed analysis and a road map for the enhancement of the Group's mitigation measures against the potential threats.</p> <p>From the briefing, the Committee made a number of recommendations and suggestions and these included greater collaboration between GIA and the Group Information Security and the development of a regular statistical cyber security report for the Committee.</p>
Climate change scenario analysis	<p>The Committee was briefed on the preparatory work that CLP was doing in the area of the TCFD and the proposed engagement of a consultant to assist CLP in developing the relevant scenarios which would form the basis of the disclosures. The Committee was satisfied that the engagement was made based on the consultant's preminent expertise and experience in this new and developing area of work.</p>
Interim and Annual Financial Reports	
Annual Reports and Interim Report	<p>The Committee reviewed the 2018 and 2019 Annual Reports and the 2019 Interim Report and on the recommendations from the Committee, these were approved by the Board.</p>
Critical accounting judgement on EnergyAustralia's retail goodwill impairment (2019 Interim Report)	<p>The most significant judgemental issue for the interim financial statements was EnergyAustralia's proposed retail goodwill impairment for the retail cash generating unit.</p> <p>The Committee had requested to be briefed on this relatively early on in the process. Committee Members participated in the EnergyAustralia ARC meeting at which the impairment assessment was considered and discussed. At the Committee meeting, EnergyAustralia management along with EnergyAustralia's auditor and EnergyAustralia ARC Chairman were invited to present on the goodwill impairment assessment. The Committee took the opportunity to pose probing questions for the EnergyAustralia management on the implications and the different scenarios used in the impairment assessment.</p>

Areas of focus

<p>2019 Financial Statements – accounting judgements</p>	<p>Management and PwC presented to the Committee the key judgements with material accounting impact. These included the review of the carrying values of the Group's generation assets and EnergyAustralia's goodwill for retail business unit, the accounts receivables for the renewables projects in Mainland China and CLP India and the disclosures and accounting treatments of material litigations and disputes.</p> <p>The Committee critically assessed these and found the judgements put forward to be acceptable for each of the issues presented.</p>
<p>Sustainability Report data assurance</p>	<p>The Committee considered and acknowledged PwC's report on the sustainability assurance in respect of the 2018 and 2019 Sustainability Reports. The Committee was pleased to note that the process of gathering sustainability statistics (and other non-financial data) had been strengthened and the metrics being assured had been expanded. </p>
<h2>Internal and External Auditing</h2>	
<p>Internal audit</p>	<p>The Committee received and considered reports from the Senior Director – GIA. GIA issues two types of reports. Opinion audit reports provide independent appraisal of the audit unit's compliance with prescribed policies and procedures, and evaluation of the effectiveness of the overall controls. Special review reports focus on new business areas and emerging risks, where control advisory is provided.</p> <p>For the year 2019, a total of 29 opinion audit and 11 special review were completed. Two of the opinion audit reports carried an unsatisfactory audit opinion; these were inadequate control over the payroll processes and the Credit and Collection function's management of regulatory compliance obligations in EnergyAustralia.</p> <p>The Committee and management had detailed discussions on the matters covered by all the reports. Some of the audit opinion reports received special attention, and often, relevant business unit management attended Committee meetings to discuss with the Committee the issues, context, measures taken and being taken, and business implications. This included the briefings on EnergyAustralia payroll function and system and CLP India land acquisition process.</p> <p>None of the control weaknesses identified had a material impact on the financial statements.</p>
<p>Internal audit function</p>	<p>The Committee also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the GIA function as well as the accounting and financial reporting functions of the Group.</p> <p>The Committee was strongly supportive of the proposed peer review to be conducted by a leading overseas industry peer rather than a professional firm as with the case previously. The review would cover GIA as an audit function and how the function evaluates the emerging risks of the organisation and whether GIA could learn from others in applying industry's best practices. Due to the social unrest in Hong Kong, the review was rescheduled to 2020.</p>
<p>Financial Statements – auditor's opinion</p>	<p>For both the 2018 and 2019 financial statements, PwC presented the auditor's opinion on the financial statements, with emphasis on the Key Audit Matters that had material impacts to the financial results and position of the Group. The Key Audit Matters identified were carefully considered and reviewed by the Committee.</p>

Areas of focus

Internal and External Auditing

Fees to independent auditor and its re-appointment

The Committee reviewed the following fees payable to PwC:

- audit fees for 2018 and 2019 for approval by the Board; and
- permissible audit related and non-audit services provided by PwC for 2018 and 2019.

At the 2019 AGM, over 99% of the shareholders voting supported the re-appointment of PwC and they were re-appointed as independent auditor for 2019.

Having considered PwC's performance and independence as independent auditor through 2019, the Committee recommended to the Board that PwC be re-appointed as independent auditor and this will be considered by shareholders at the forthcoming AGM.

PwC issued a letter of independence to the Committee.

The Committee considers that regular change to the lead audit partner is a better assurance of independence than changing the audit firm. The current lead audit partner has served for six years and will serve no more than seven years in total in accordance with The Independent Federation of Accountants rules. The current lead audit partner will leave the CLP engagement next year upon the completion of the 2020 financial year-end audit. The Committee supports this approach for it believes that changing the lead audit partner regularly ensures the independence, objectivity and fresh perspectives the Committee requires in CLP's independent auditor.

Further details of the fees payable to PwC and the assessment of their independence can be found on page 137.

Corporate Governance

Corporate governance practices

The Committee received a report of Corporate Governance Policies and Practices Review covering shareholders' communication policy, Code of Conduct, whistleblowing policy, policy and guidelines on the provision of gifts and entertainment, anti-fraud policy and policy on making political contributions.

The Committee was also updated with the enhancements made to the CLP corporate governance practices, such as Board refreshment and Board review as well as the hybrid AGM and e-voting. The Committee considered that CLP was well in compliance with modern corporate governance standards.

Continuing connected transactions

The Committee considered the work by PwC on the annual reporting and the confirmation of continuing connected transactions required by the Listing Rules for which PwC had undertaken additional agreed-upon procedures to facilitate the review by the Independent Non-executive Directors.

Culture-related

The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of the 31 breaches in 2019 were material to the Group's financial statements or overall operations. The breaches were mainly related to issues of work place behaviour and individuals' ethics and integrity. One of the reported Code of Conduct violations involved an employee at the grade level of senior manager and above.

The Committee examined the 2018 findings on ethics and controls commitment survey. In comparison with previous year's findings, there was a slight increase in a very small number of staff doubting management's commitment in this area, the Committee asked management to look into the reasons behind these responses and to address these accordingly.

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- satisfying itself that good accounting, audit principles, risk management, internal controls and ethical practices are applied on a consistent basis throughout the CLP Group (without limiting the primary responsibilities of all the business unit managers throughout the Group);
- assuring adequate risk management and internal control systems are in place and followed and where deficiencies are found, appropriate remedial actions are taken in a timely manner;
- assuring appropriate accounting principles and reporting practices are followed;
- performing the corporate governance duties described further in this Report and fulfilling the functions conferred on the Committee by the CLP Code;
- satisfying itself that the scope and direction of external and internal auditing are adequate; and
- reviewing and making sure the assurance of the sustainability data in the Sustainability Report is appropriate.

Accountability

The Committee is accountable to the Board. The Chairman makes a regular report to the Board on the Committee's review of significant internal control and risk management issues and the Company's annual / interim results. In addition, the Chairman reports to the Board annually on the Committee's activities and this is a practice that is greatly appreciated by fellow Directors who do not sit on this Committee as being able to get a better understanding of the work done by the Committee.

Terms of Reference

The Committee's [terms of reference](#) follow international best practice and they also comply with the HKICPA's "A Guide for Effective Audit Committees" and the Stock Exchange Code. Full terms of reference can be found on CLP's and the Hong Kong Stock Exchange's websites. [🔗](#)

Audit & Risk Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Committee during 2019 and the Committee was pleased to note that the Company Secretary concluded that the Committee was performing its responsibilities in an effective manner in accordance with its terms of reference.

The evaluation was reviewed and the conclusion was confirmed by internal and independent auditors. The CLP Holdings Board also endorsed the Company Secretary's evaluation.

In accordance with CLP's recently adopted policy limiting the length of service of directors, I will retire from the CLP Board and the Committee at the conclusion of the forthcoming AGM. I take this opportunity to thank my fellow Committee Members, management who have assisted the Committee, and the independent and internal auditors for their support to the Committee over so many years.



Vernon Moore

Chairman, Audit & Risk Committee

Hong Kong, 24 February 2020

Sustainability Committee Report

Members

The Sustainability Committee is appointed by CLP Holdings' Board of Directors to oversee CLP's positions and practices on sustainability issues; and the Members who served on the Committee during the reported period (full year 2019 and in 2020 up to the date of this Report) (the Period) were:

- Mr Richard Lancaster (Chief Executive Officer) as the Chairman;
- Mr Nicholas C. Allen (Independent Non-executive Director);
- Mrs Fanny Law (Independent Non-executive Director);
- Ms May Siew Boi Tan (Independent Non-executive Director);
- Mr Andrew Brandler (Non-executive Director);
- Mr Philip Kadoorie (Non-executive Director), appointed in January 2020; and
- Ms Quince Chong (Chief Corporate Development Officer).

[Biographies](#) of the Members are set out on pages 102 to 109 and on the CLP website. [🔗](#)

Sustainability governance is integrated into corporate governance structures throughout the Group – from board-level committees to management-level group functions and business units (please refer to page 115 of the Corporate Governance Report on CLP's Sustainability Governance Structure). In supporting the Committee, the Sustainability Executive Committee and Group Sustainability Department have the strategic and operational responsibility to assess and manage sustainability issues.

Regular attendees at the Committee's meetings include the following members of the Sustainability Executive Committee and the Director – Group Sustainability (Mr Hendrik Rosenthal):

- Chief Financial Officer – Mr Geert Peeters;
- Chief Operating Officer – Mr David Smales, who was appointed in October 2019 following the retirement of Mr Derek Parkin in September 2019;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant, who was appointed in September 2019 following the retirement of Mr Roy Massey in June 2019.

Highlights of the Committee's Work

The Committee welcomed Mr Philip Kadoorie as a new Member of the Committee, effective 1 January 2020. Mr Kadoorie represents the leadership of the next generation at the Board level and he will bring with him a fresh and forward-looking perspective to the Committee.

During the Period, the Committee's focus remained on the longer term sustainability issues facing the Group. Some of these are highlighted here.

The Committee spent a considerable amount of time on discussing and deliberating on climate change and related issues. This included the consideration of how CLP should be managing its portfolio and projects in light of the risks and opportunities brought by climate change. In reviewing the

revised Climate Vision 2050 publication, the Committee not only considered the drafting of the documentation itself, but also the implications, both short term and long term, for the Group's underlying portfolio and projects. Another important climate-related work was the TCFD and scenario analysis, where the Committee studied and examined the ongoing work in this area. The Committee recognised that this remained a developing area and supported management's work with other electric utilities and consultants to formulate accurate and meaningful climate-related financial disclosures.

Other than climate change, the Committee also looked at the impact of digitalisation as a long-term driver of change and the emerging opportunities that the Group's Innovation Team are working on. The Committee visited the Innovation Team for a presentation on the innovation strategy.

Meetings and Attendance

The Committee meets as frequently as required and any Committee Member may call a meeting. During the Period, the Committee met four times (including three times in 2019 and once in 2020). The following table provides an overview of how the Committee spent its time during the Period:

	Feb	2019 Sep	Nov	2020 Feb
Sustainability Matters – risks, opportunities and emerging issues	○	○	○	○
Sustainability Reporting / Indices performance	○	○	○	○
Health, Safety, Security and Environment		○		
Community investment activities	○			○

Summary of Work Done

The Committee's key areas of focus during the Period are set out below.

Areas of focus	
Sustainability Matters	
Climate Vision 2050 Review 	The Committee endorsed the updated Climate Vision 2050 publication for consideration by the CLP Holdings Board. In giving its endorsement, the Committee had undertaken considerable work in analysing and deliberating on the positions outlined in the Climate Vision 2050 document. As part of the assessment, the Committee Members exchanged views on how CLP should be managing its portfolio and projects in light of the risks and opportunities brought by climate change.
Climate change-related developments and risks	The Committee considered and discussed the climate change landscape in a number of different aspects from the international and regional context of the markets relevant to CLP; the continuing pressure for corporate actions (also see "Investor interest" below) and CLP's response including the publication of Climate Vision 2050 (also see above). The briefing and discussions provided an important frame of reference in the review of the Climate Vision 2050.
TCFD	The Committee was briefed on the ongoing work in the preparation for implementing the TCFD recommendations. The Committee appreciated that this was a new and developing area and that CLP had the opportunity to help shape and formulate the climate-related disclosures for the electric utilities. The Committee supported management on this work and for them to work with other utilities and consultants in this area.
Investor interest	The Committee discussed the changing approach of investors, which was now driven by risk management concerns, regulatory trends and pressure from the general community. There was a growing interest from investors seeking to understand how companies were addressing the risks of physical impact and transitional impact associated with climate change.
Operational Health, Safety, Security & Environment Standards	The Committee learned about the Group's Health Safety Environment Improvement Plan 2019-2021 which included an implementation plan for the initiatives under the four key areas of wellbeing, namely, physical, mental health, financial and social wellbeing. The Committee commended and encouraged management on this important and meaningful initiative.
Digitalisation and innovation strategy	The Innovation Team delivered a comprehensive briefing on CLP's Innovation Strategy and Focus and the impact of digitalisation as a long-term driver of change. The Committee had the opportunity to understand the different opportunities that the Innovation Team had been working on. The Committee Members had a good exchange with members of the Innovation Team on the applications of Smart Energy Connect platform as well as other initiatives in the areas of next generation renewables and storage, distributed energy and data centres and investments and partnerships.

Areas of focus

Sustainability Performance

Performance on external sustainability indices

The Committee reviewed CLP's performance on external sustainability indices with the objective of improving CLP's sustainability performance.

The Committee analysed the results of the key sustainability issues including the Dow Jones Sustainability Index (DJSI) and Hang Seng Corporate Sustainability Index Series. The Committee enquired about the underlying business performance that may be relevant to CLP's performance on certain ratings and indices. The Committee acknowledged and supported management's approach in identifying focus areas and internal performance improvements where it made business sense and to optimise disclosures in those areas where such improvements could be made.

Further details of selected 2019 sustainability ratings for CLP's 2018 sustainability performance are shown in the following table. The scores reflected the performance of the year before.

Index Name	2019 Score	2018 Score	2017 Score
DJSI	73	69*	70
CDP – Climate Change	B	B*	B*
Hang Seng Corporate Sustainability Index	AA-	AA-	A+
FTSE4Good	3.7	4.0	3.3
MSCI ESG Leaders Indexes	AA	AA	A

* CDP and DJSI revised their questionnaire and/or the scoring methodology in 2017 and 2018, hence year-on-year performance cannot be compared directly.

Sustainability Reporting

Sustainability Reporting Standards



The Committee reviewed the 2019 materiality identification exercise for the [2019 Sustainability Report](#), with the same key material topics to be maintained last year. The Committee considered management's presentation and explanation on maintaining the key material topics and the Committee acknowledged this approach. 📄

The Committee also considered and endorsed the presentation of the contents of the [2019 Sustainability Report](#) and how it meets the updated Hong Kong Stock Exchange's ESG Reporting Guide "comply or explain" requirements, the Global Reporting Initiative's Sustainability Reporting Standards as well as the TCFD recommendations. 📄

Sustainability data assurance

The continuing practice of commissioning independent assurance of selected KPIs was reported to and acknowledged by the Committee, including the expanded scope of metrics being assured.

Community, Charitable and Environmental Partnerships and Initiatives

Community initiatives

The Committee reviewed management's report on the community initiatives undertaken by CLP in 2019 and supported the proposed overall strategy for 2020 as well as the specific initiatives in terms of the following:

- spending by country, theme and programme;
- volunteering contributions; and
- the number of programmes and beneficiaries.

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- reviewing, endorsing and reporting to the Board on CLP's sustainability frameworks, standards, priorities and goals and overseeing CLP group-level strategies, policies and practices on sustainability matters to attain those standards and goals;
- reviewing and reporting to relevant Board Committees on key international sustainability trends, benchmarking against peers, sustainability risks and opportunities and other emerging issues;
- overseeing, reviewing and evaluating CLP Group's sustainability performance in terms of internationally-recognised metrics relevant to the industry, as well as the requirements of sustainability stock indices and the desirability of CLP's inclusion in those indices;
- reviewing and advising the Board on CLP's public reporting with regard to its performance on sustainability matters; and
- overseeing CLP's community, charitable and environmental partnerships, strategies and related group-level policies and making recommendations to the Board on any changes to those partnerships, strategies and policies.

Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference.

The objectives of the Committee are to oversee management and advise the Board on matters required to enable:

- a the CLP Group to operate on a sustainable basis for the benefit of current and future generations;
- b sustainable growth by maintaining and enhancing CLP Group's economic, environmental, human, technological and social capital in the long term; and
- c the effective management of CLP Group's sustainability risks.

Terms of Reference

The current [terms of reference](#) were adopted in February 2015 and are set out on the CLP's and the Hong Kong Stock Exchange's websites. [📄](#)

Looking Ahead

The Committee will continue its role of supporting the Board and overseeing management in the development, implementation, measurement and reporting of the Group's social, environmental and ethical performance. In addition, the Committee will strengthen its role and place a stronger emphasis on overseeing the impact on the Group's strategy of longer-term emerging sustainability issues. This will ultimately support the CLP Group's objective to operate on a sustainable basis for the benefit of current and future generations.



Richard Lancaster

Chairman, Sustainability Committee

Hong Kong, 24 February 2020

Nomination Committee Report

Members

The Nomination Committee is appointed by CLP Holdings' Board of Directors and the Members of the Committee are:

- Mr Nicholas C. Allen (Independent Non-executive Director), as the Chairman;
- The Hon Sir Michael Kadoorie (Non-executive Director);
- Mr Vincent Cheng (Independent Non-executive Director); and
- Ms May Siew Boi Tan (Independent Non-executive Director), appointed in January 2020.

[Biographies](#) of the Members are set out on pages 102 to 107 and on the CLP website. [🌐](#)

In addition to the Members, the regular attendees at the Committee's meetings include:

- Chief Executive Officer – Mr Richard Lancaster; and
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds.

Meetings and Attendance

The Committee meets as frequently as required and between 1 January 2019 and the date of this Report (the Period), the Committee met twice.

Highlights of the Committee's Work

The Committee welcomed the appointment of Ms May Tan as a new Member of the Committee. Ms May Tan had developed a solid understanding of the Group's business and strategy since joining the CLP Board in August 2018 and with her experience of working with boards as a board member and a chief executive officer, the Committee is confident that she will bring this experience to this Committee. The appointment of Ms May Tan was made to refresh the composition of this Committee and it coincided with Mr Vincent Cheng's decision to retire as a Director of CLP Holdings at the coming 2020 AGM.

During the Period, the Committee focused on the work in future proofing the Board and Board Committees. This involved taking a progressive approach in refreshing the Board and Board Committees and in setting forward-looking objectives for the external Board Review.

As we reported in the 2018 Annual Report, the Committee endorsed, with the Board's subsequent approval, the retirement age guideline for Non-executive Directors in early 2019. Following this, the Committee continued its work in connection with the planning for the succession and refreshment of the Board and Board Committees. On the Board refreshment, with the impending retirement of Mr Vernon Moore and Mr Vincent Cheng at the coming 2020 AGM, specialist consultants have been engaged for

the Non-executive Director search. The Committee also recommended a number of Board Committee membership appointments to refresh the composition for the Sustainability Committee, Human Resources & Remuneration Committee and this Committee.

CLP undertakes a Board review on an ongoing basis with an independent facilitator every three years. Following the 2018 internal Board review, an external Board Review was undertaken in 2019. After a competitive tendering process, Korn Ferry (a global organisational consulting firm) was selected as our independent partner in conducting this exercise. With the objective of shaping CLP's future success, the Chairman of the Committee played a leading role in briefing Korn Ferry to ensure that they would be able to get the best feedback and input from the one-on-one interviews. The Committee, through its oversight of the review and Korn Ferry's interim briefing, was able to contribute and provide the important context to Korn Ferry before their findings and recommendations were finalised for the Board's consideration.

In addition, the work performed by the Committee during the Period included:

- reviewing the Board Diversity Policy;
- assessing the independence of all Independent Non-executive Directors;
- reviewing the training and continuous professional development of Directors; and
- evaluating Directors' time commitment and the contribution required from Directors to discharge their responsibilities.

Summary of Work Done

The work performed by the Committee during the Period is summarised below.

Areas of focus	
Board refresh	<p>Having regard to the business and strategic needs of the Company, the Committee reviewed the Board composition changes that have taken place and will take place to refresh the Board, these include the following:</p> <ul style="list-style-type: none"> ▪ Dr Y. B. Lee stepped down from the Board at the conclusion of the 2019 AGM; ▪ Mr Vernon Moore will be retiring at the coming 2020 AGM pursuant to the retirement age guideline; and ▪ Mr Vincent Cheng will be retiring at the coming 2020 AGM in view of the retirement age guideline as he would have reached the stipulated retirement age of 72 shortly after the AGM. <p>Under the leadership and direction of the Chairman of the Committee, an external Non-executive Director search process has commenced with the key objective of bringing in expertise and experience that align with CLP's strategy and can contribute to CLP's future success.</p>
Board Committees refresh	<p>The Committee considered the evolving demands of the Board Committees and the anticipated Board composition changes in light of the retirement age guideline. The Committee reviewed the Board Committees composition and endorsed the following new appointments, all of which were approved by the Board and became effective on 1 January 2020:</p> <ul style="list-style-type: none"> ▪ Mrs Fanny Law and Ms May Tan as Members of the Human Resources & Remuneration Committee; ▪ Mr Philip Kadoorie as a Member of the Sustainability Committee; and ▪ Ms May Tan as a Member of this Committee. <p>With the impending retirement of Mr Vernon Moore and Mr Vincent Cheng, who are the respective Chair of the Audit & Risk Committee and the Human Resources & Remuneration Committee, the Committee endorsed, and the Board approved, that Mr Nicholas C. Allen be appointed the Chairman of these two committees at the conclusion of the 2020 AGM.</p> <p>In endorsing the above changes, the Committee considered various factors, including:</p> <ul style="list-style-type: none"> ▪ the role and the growing workload of the Board Committees; ▪ the expertise and experience of each of the relevant Directors; ▪ the existing composition and structure of the Board Committees; and ▪ the relevant regulatory requirements under the Listing Rules.
External Board Review	<p>The Chairman of the Committee was involved in the review and approval of the scope of work and methodology for the review. The Committee was briefed on the interim and preliminary findings and recommendations from the review and the Committee had the opportunity to contribute and provide feedback to Korn Ferry to ensure that the findings and recommendations would not be made out of context for the Board and the Directors.</p> <p>The Committee considered the findings and recommendations from the review exercise and endorsed them for the Board's consideration.</p> <p>For further details on the external Board Review findings and recommendations, please see pages 126 and 127.</p>

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- reviewing the Board structure and composition and Board Diversity Policy on an annual basis;
- making recommendations to the Board on Directors appointment and re-appointment and succession planning;
- assessing the independence of the Independent Non-executive Directors and whether Directors are spending sufficient time performing their duties; and
- reviewing and monitoring the training and continuous professional development of Directors.

Nomination Policy

Embedded in the Committee's Terms of Reference is the Nomination Policy for Directors. The Policy (set out below) stipulates the key nomination criteria and principles of the Company for the nomination of Directors and provides what the Committee should do in order to give effect to this Policy:

- 1 review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board on an annual basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- 2 identify and nominate qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise. The criteria to be adopted by the Board in considering each individual shall be their ability to contribute to the effective carrying out by the Board of its responsibilities set out in the CLP Code on Corporate Governance in particular those described in paragraphs II.B.35 and 36 of the Code;
- 3 make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer; and
- 4 make recommendations to the Board with particular regard to ensuring a substantial majority of the Directors on the Board being independent of Management.

Accountability

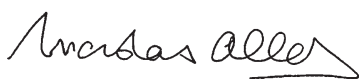
The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference. The objectives of the Committee are to recommend to the Board on the structure, size and composition of the Board and on the nomination of Directors, having regard to the independence and quality of the nominees and ensuring that the nominations are fair and transparent.

Terms of Reference

The current [terms of reference](#) were adopted in January 2018 and are set out on the CLP's and the Hong Kong Stock Exchange's websites. [📄](#)

Looking Ahead

The Committee will play an active role in the process for the Non-executive Director search. At the same time, the Committee will continue to support the Board on the areas of Board succession and Board refreshment to ensure that the Board composition would be best suited to oversee the future development of CLP.



Nicholas C. Allen

Chairman, Nomination Committee

Hong Kong, 24 February 2020

Human Resources & Remuneration Committee Report

Introduction

On behalf of the Board, the Human Resources & Remuneration Committee (HR&RC) scrutinises the remuneration policies applied within the CLP Group, including the remuneration of Non-executive and Executive Directors and of Senior Management. Our objective is to ensure that CLP applies properly structured and fair remuneration policies which align the interests of Directors and Senior Management with those of the Company and its shareholders. This Report explains the policies applied to determining remuneration levels and sets out the remuneration paid to Non-executive Directors, Executive Directors and Senior Management. This Report has been reviewed and approved by the HR&RC.

As stated in Note 32(C) to the Financial Statements on page 275, the following sections in the highlighted boxes below form part of the Financial Statements and have been audited by the Company's independent auditor:

- "Non-executive Directors – Remuneration in 2019";
- "Change of Remuneration – Executive Directors and Senior Management";
- "Executive Directors – Remuneration in 2019";
- "Total Directors' Remuneration in 2019";
- "Senior Management – Remuneration in 2019"; and
- "The Five Highest Paid Individuals in 2019".

Membership

The HR&RC is appointed by CLP Holdings' Board of Directors. There are no Executive Directors on the HR&RC and a majority of the HR&RC Members are Independent Non-executive Directors. The Members are:

- Mr Vincent Cheng (Independent Non-executive Director) as the Chairman;
- Mr William Mocatta (Non-executive Vice Chairman);
- Mr Vernon Moore (Independent Non-executive Director);
- Mr Nicholas C. Allen (Independent Non-executive Director);
- Mrs Zia Mody (Independent Non-executive Director);
- Mrs Fanny Law (Independent Non-executive Director), appointed in January 2020; and
- Ms May Siew Boi Tan (Independent Non-executive Director), appointed in January 2020.

[Biographies](#) of the Members are set out on pages 102 to 107 and on our website. [📄](#)

Responsibilities and Work Done

The HR&RC considers major human resources and pay issues. It also provides forward guidance on EnergyAustralia's remuneration policy through interactions between the HR&RC and the EnergyAustralia Nomination and Remuneration Committee.

The HR&RC held three meetings during 2019 and one meeting in 2020 up to 24 February 2020 (the date of this Report). Between 1 January 2019 and the date of this Report, the HR&RC approved the 2018 and 2019 HR&RC Reports, and reviewed the following:

<p>Performance and Remuneration Review</p> <ul style="list-style-type: none"> ▪ Group performance for 2018 and 2019 and Group targets for 2019 and 2020; ▪ 2018 and 2019 organisation performance for CLP Power Hong Kong, CLP India and China, and targets for 2019 and 2020; ▪ Base pay for 2019 and 2020 for Hong Kong payroll staff, CLP India and China; ▪ Non-executive Directors' fees; ▪ CEO's remuneration; ▪ Remuneration of direct reports to the CEO, including annual incentive payments for 2018 and 2019 and pay review for 2019 and 2020; 	<p>Training and Benefits Review</p> <ul style="list-style-type: none"> ▪ CLP Home Loan Scheme; ▪ Training and continuous professional development of Senior Management; <p>Succession Planning and Organisational Evolution</p> <ul style="list-style-type: none"> ▪ Senior Management succession plan review 2019 and update on talent development initiatives; <p>Human Resources Trends and Development</p> <ul style="list-style-type: none"> ▪ Update on remuneration disclosure trends and developments in relevant markets; and ▪ Trends in executive remuneration governance and disclosure in relevant markets.
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Remuneration Policies

The main elements of CLP's remuneration policies have been in place for a number of years and are incorporated in the CLP Code:

- No individual or any of his or her close associates should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom CLP competes for human resources; and
- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals and promoting the enhancement of the value of the Company to its shareholders.

Non-executive Directors – Principles of Remuneration

The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not employees of the Company.

In considering the level of remuneration payable to Non-executive Directors, we have referred to:

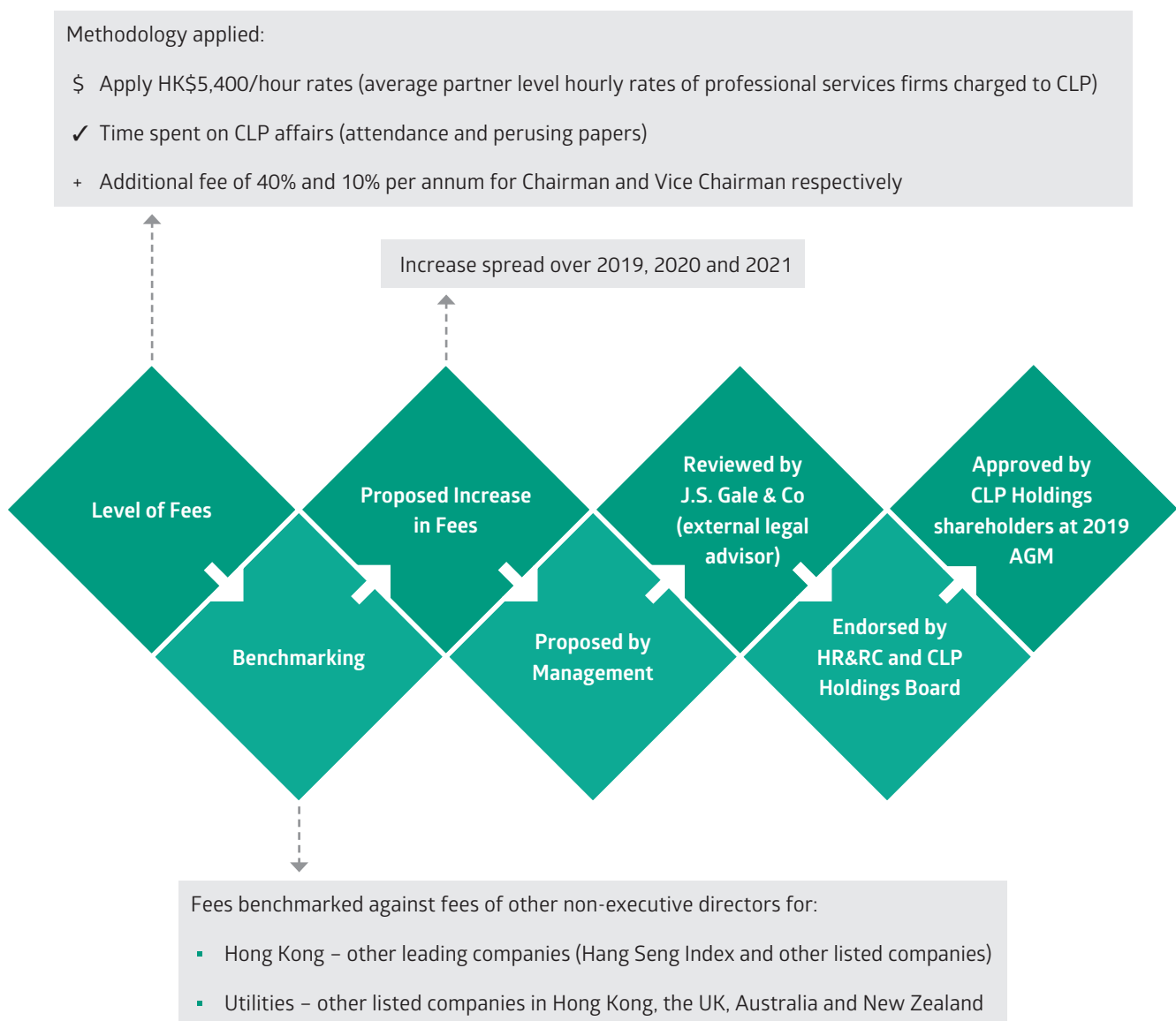
- Report of the Committee on the Financial Aspects of Corporate Governance of December 1992;
- "Review of the Role and Effectiveness of Non-executive Directors" of January 2003;
- The Financial Reporting Council's "The UK Corporate Governance Code" last published in July 2018; and
- The Stock Exchange Code and associated Listing Rules.

Human Resources & Remuneration Committee Report

CLP's Non-executive Directors are remunerated in line with market practice such that CLP is able to attract and retain high-calibre candidates needed to run a company successfully, but no more than is necessary for this purpose. The fees are subject to a formal independent review undertaken no less frequently than every three years. Those fees were most recently reviewed at the beginning of 2019 (the 2019 Review). The methodology adopted in the 2019 Review is the same as that used in the previous reviews and as explained to shareholders in the CLP Code, save for (i) maintaining the fees for the Finance & General Committee unchanged although the indicative fees under the methodology showed slight reduction in fees; and (ii) applying our standard review methodology for determining the fees for the Nomination Committee instead of a nominal fee which resulted in a modest increase in absolute dollar value.

CLP's approach goes beyond that required by law or regulation in Hong Kong or the provisions of the Stock Exchange Code. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the [2019 Review and the opinion of J.S. Gale & Co on that 2019 Review](#) are placed on CLP's website. [🔗](#)

The 2019 Review and methodology applied are summarised as follows:



Fees for Non-executive Directors

	Fees per annum (before 7 May 2019) HK\$	Fees per annum (w.e.f. 7 May 2019) HK\$	Fees per annum (w.e.f. 7 May 2020) HK\$	Fees per annum (w.e.f. 7 May 2021) HK\$
Board				
Chairman	765,600	804,300	845,000	887,700
Vice Chairman	601,500	631,900	663,900	697,500
Non-executive Director	546,900	574,500	603,600	634,100
Audit & Risk Committee				
Chairman	477,100	535,100	600,100	673,100
Member	339,100	381,200	428,600	481,900
Finance & General Committee				
Chairman	449,900	449,900	449,900	449,900
Member	319,400	319,400	319,400	319,400
Human Resources & Remuneration Committee				
Chairman	86,800	101,900	119,800	140,700
Member	63,100	73,500	85,600	99,800
Sustainability Committee				
Chairman	112,500	121,400	131,000	141,500
Member	79,000	85,900	93,600	101,900
Nomination Committee				
Chairman	14,000*	19,800	28,200	40,200
Member	10,000*	14,200	20,100	28,700
Provident & Retirement Fund Committee**				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000

* A nominal fee was previously maintained for the Chairman and Members of the Nomination Committee.

** A nominal fee has been maintained for the Chairman and Members of the Provident & Retirement Fund Committee.

Note: Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

Non-executive Directors – Remuneration in 2019 (Audited)

The fees paid to each of our Non-executive Directors in 2019 for their service on the CLP Holdings' Board and, where applicable, on its Board Committees are set out below. Higher level of fees was paid to Chairmen of the Board and Board Committees and the Vice Chairman of the Board as indicated by (C) and (VC) respectively. Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

There was an increase in total Directors' fees compared to 2018, primarily due to an increase in the level of Non-executive Directors' fees which took effect on 7 May 2019.

In HK\$	Board	Audit & Risk Committee	Nomination Committee	Finance & General Committee	HR&RC	Provident & Retirement		Total 2019	Total 2018
						Fund Committee	Sustainability Committee		
Non-executive Directors									
The Hon Sir Michael Kadoorie	790,941 ^(C)	-	12,750	-	-	-	-	803,691	765,474
Mr William Mocatta ¹	621,406 ^(VC)	-	-	449,900 ^(C)	69,910	14,000 ^(C)	-	1,155,216	1,112,507
Mr J. A. H. Leigh	564,972	-	-	-	-	-	-	564,972	538,475
Mr Andrew Brandler	564,972	-	-	319,400	-	-	83,518	967,890	933,040
Mr Philip Kadoorie	564,972	-	-	-	-	-	-	564,972	220,258
Dr Y. B. Lee ²	188,793	-	-	-	-	-	-	188,793	538,475
Independent Non-executive Directors									
Mr Vernon Moore	564,972	515,078 ^(C)	-	319,400	69,910	-	-	1,469,360	1,392,253
Sir Rod Eddington	564,972	-	-	319,400	-	-	-	884,372	854,108
Mr Nicholas C. Allen	564,972	366,667	17,798 ^(C)	319,400	69,910	-	83,518	1,422,265	1,346,558
Mr Vincent Cheng	564,972	-	12,750	319,400	96,687 ^(C)	-	-	993,809	950,737
Mrs Fanny Law	564,972	366,667	-	-	-	-	83,518	1,015,157	955,993
Mrs Zia Mody	564,972	-	-	-	69,910	-	-	634,882	601,062
Ms May Siew Boi Tan	564,972	366,667	-	319,400	-	-	83,518	1,334,557	517,279
Ms Irene Lee ³	-	-	-	-	-	-	-	-	423,672
Total								11,999,936	11,149,891

Notes:

- Mr William Mocatta received HK\$300,000 as fee for his service on the board of CLP Power Hong Kong Limited for each of 2018 and 2019.
- Dr Y. B. Lee retired as a Non-executive Director with effect from the conclusion of the 2019 AGM held on 6 May 2019. The fee paid to Dr Lee was made on a pro rata basis in respect of his service up to 6 May 2019.
- The fee paid to Ms Irene Lee (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2018 with those in 2019.

Change of Remuneration – Executive Directors and Senior Management (Audited)

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the 12 months ended 31 December 2019 are set out in the tables on page 174 (Executive Directors) and pages 181 to 182 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2019 and, for the annual and long-term incentives, service and performance in previous years.

The amounts disclosed are the amounts recognised in the financial year for accounting purposes, which do not necessarily reflect the cash actually received by the individual. Where payments are made to the individual over more than one financial year, this is explained in the notes.

To provide a clear picture of remuneration, amounts are shown as recurring or non-recurring items. Recurring items are the normal annual remuneration of Executive Directors and Senior Management, whilst non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the tables on page 174 and pages 181 to 182 the “Total Remuneration” column for 2019 includes the following recurring items:

- (i) base compensation, allowances & benefits paid;
- (ii) 2019 annual incentive accrued based on previous year’s Company performance and the 2018 annual incentive adjustment. The adjustment is the difference between the actual annual incentive paid in 2019 for 2018 performance and the annual incentive accrual for 2018;
- (iii) the 2016 long-term incentive award paid in January 2019 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2015 paid in 2018). Approximately 51% of the increase in the value of the phantom shares portion of 2016 long-term incentive payments resulted from the change in CLP Holdings’ share price between 2016 and 2018, with dividends reinvested; and
- (iv) provident fund contribution made.

The “Other Payments” column includes the following non-recurring items:

- (i) transition allowances for newly hired Senior Management;
- (ii) relocation payments for newly hired Senior Management; and
- (iii) approved acceleration of long-term incentive payments and any contractual termination payments for departed Senior Management.

In 2018, no other payments were made.

Executive Directors – Remuneration in 2019 (Audited)

The remuneration paid to the Executive Directors of the Company in 2019 was as follows:

	Recurring Remuneration Items					Non-recurring Remuneration Item	
	Base Compensation, Allowances & Benefits ¹ HK\$M	Performance Bonus ²		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
		Annual Incentive HK\$M	Long-term Incentive HK\$M				
2019							
CEO (Mr Richard Lancaster)	9.7	8.6	7.7	2.5	28.5	-	28.5
Executive Director & Chief Financial Officer (Mr Geert Peeters)	7.5	6.6	5.4	1.4	20.9	-	20.9
	17.2	15.2	13.1	3.9	49.4	-	49.4

	Recurring Remuneration Items					Non-recurring Remuneration Item	
	Base Compensation, Allowances & Benefits ¹ HK\$M	Performance Bonus ²		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
		Annual Incentive HK\$M	Long-term Incentive HK\$M				
2018							
CEO (Mr Richard Lancaster)	9.4	8.0	6.2	2.4	26.0	-	26.0
Executive Director & Chief Financial Officer (Mr Geert Peeters)	7.2	6.1	4.6	1.3	19.2	-	19.2
	16.6	14.1	10.8	3.7	45.2	-	45.2

Notes:

- The value of non-cash benefits is included under the "Base Compensation, Allowances & Benefits" column of the above table. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, life insurance and medical benefits. The applicability of these benefits depends primarily on the location of the individual.
- Performance Bonus consists of (a) annual incentive (2019 accrual and 2018 adjustment) and (b) long-term incentive (payment for 2016 award). The annual incentive payments and long-term incentive awards were approved by the HR&RC.
Payment of the annual incentive and granting of the long-term incentive awards relating to 2019 performance will be made in March 2020. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2019. [Details](#) of these will be published on the CLP website at the time that the 2019 Annual Report is published. [🔗](#)

The Group does not have, and has never had, a share option scheme. No Executive Director has a service contract with the Company or any of its subsidiaries with a notice period in excess of six months or with provisions for predetermined compensation on termination which exceeds one year's salary and benefits in kind.

Total Directors' Remuneration in 2019 (Audited)

The total remuneration of Non-executive and Executive Directors in 2019 was:

	2019 HK\$M	2018 HK\$M
Fees	12.0	11.1
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	17.2	16.6
Performance Bonus ²		
– Annual Incentive	15.2	14.1
– Long-term Incentive	13.1	10.8
Provident Fund Contribution	3.9	3.7
Non-recurring Remuneration Item		
Other Payments	–	–
	61.4	56.3

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 174 for Executive Directors.
- 2 Refer to Note 2 on Performance Bonus on page 174 for Executive Directors.

Of the total remuneration paid to Directors, HK\$11.5 million (2018: HK\$12.3 million) has been charged to the SoC operation.

Linking Senior Management Pay with CLP's Purpose and Strategy

For the purposes of this section, Senior Management means the managers whose details are set out on pages 108 and 109.

CLP's Senior Management Remuneration Policy is an important element of the Group's strategy and an expression of our culture. Our Policy is designed to be **sustainable, aligned with shareholders and simple**. Delivery of a highly-reliable supply of electricity today together with transforming our business into a Utility of the Future, is a commitment that requires long-term stewardship and a sustainable approach to remuneration. Ensuring fairness and internal equity; encouraging and rewarding appropriate behaviour while discouraging inappropriate behaviour; and balanced judgement of short- and long-term performance, aligned with shareholder outcomes, underpin this approach.

Fairness and internal equity are key elements of our approach. Depending on individual roles, Senior Management is responsible for a mix of businesses: a vertically-integrated regulated business in Hong Kong, a customer-focused energy business in Australia, and an independent power producer in Mainland China, India, Southeast Asia and Taiwan. We seek to fairly recognise the extent of Senior Management's assigned job responsibilities and capabilities demonstrated, and to ensure that our remuneration attracts, retains and motivates a diverse, high-performing executive team. The structure of our executive remuneration packages is assessed in terms of appropriateness to the role, and with reference to both local and international markets. We emphasise strong management development, succession planning and job mobility to fill vacancies for executive positions as we believe that a long-term career with the Group is an important asset to CLP. Consequently, external competitiveness of remuneration must be balanced with internal equity. While Senior Management pay reflects the scale and scope of their responsibilities, our policy is designed to ensure that remuneration structure and outcomes are aligned with our wider workforce, whose skills, values and commitment are essential to our success, and HR&RC decisions on executive pay outcomes are taken in the context of wider workforce considerations.

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Senior Management pay is structured to seek to avoid excessive risk-taking in the achievement of performance targets and is governed by and compliant with relevant regulatory frameworks. In determining incentive payments and Total Remuneration, the HR&RC considers and balances a broad range of performance indicators including financial (e.g., long-term growth in the share price and dividends), operational, safety, environmental, social, business sustainability (including responding to climate change), governance and compliance-related factors linked to CLP's strategy. Decisions on pay reflect considerations of both **what** was achieved and **how** it was achieved. The determination of performance outcomes is not formulaic, as the HR&RC believes that their overriding responsibility to exercise judgement and responsibility, ensuring alignment between shareholders and management.

CLP is committed to being simple and transparent in the way we do business. The HR&RC strives to keep remuneration arrangements simple, clear and consistent to enable effective stakeholder scrutiny. We have maintained our Remuneration Policy in line with prior years in part on the belief that the current arrangements remain fit for purpose, are embedded into our business and are well-understood both internally and externally. Mindful of continuing external interest and debate on executive pay, we have reshaped the structure of our reporting on Remuneration Policy in order that the links between policy, strategy and performance are more clearly and simply articulated.

Remuneration Policy

Executive Directors and Senior Management (excluding Managing Director – EnergyAustralia)

The illustration below summarises policy design and operation for members of Senior Management. The policy is set out in full on pages 176 to 180. The pay structure of Managing Director – EnergyAustralia is aligned with Australian market practice and is addressed on pages 179 to 180.

Remuneration Component	Fixed Pay	Annual Incentive Plan (AIP)	Long-Term Incentive (LTI)	Retirement Arrangements
Purpose	Attract and retain the capabilities needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.	Drive performance aligned to short- and long-term value creation considering both what was achieved and how it was achieved, while avoiding excessive risk-taking.	Drive long-term value creation, support retention of Senior Management and encourage an owner's mindset.	Provide market-competitive and sustainable retirement benefits.
Delivery	Base salary. Accounted for 34% of potential total remuneration in 2019.	Annual cash payment. Accounted for 34% of potential total remuneration in 2019.	A minimum of 75% of the award is delivered in Phantom shares subject to a three-year vesting period. Up to 25% can be allocated to a notional cash deposit or to phantom shares. Accounted for 23% of potential total remuneration in 2019.	Employer and employee contributions to the Group Provident Fund Scheme (a Defined Contribution Scheme). A 17.5% contribution accounted for 9% of potential total remuneration in 2019.

Remuneration Component	Fixed Pay	Annual Incentive Plan (AIP)	Long-Term Incentive (LTI)	Retirement Arrangements
Approach	<p>Set with reference to local and international comparators, role scope and experience, and wider workforce considerations.</p> <p>Intent to align target Total Remuneration to between median and upper quartile of the reference market.</p>	<p>Balanced consideration by the HR&RC of a range of quantitative and qualitative performance measures including:</p> <p>WHAT was achieved</p> <ul style="list-style-type: none"> – Financial and Operational performance <p>HOW it was achieved</p> <ul style="list-style-type: none"> – Safety, Environmental and Internal Control performance <p>Additional objectives reflecting strategic priorities and long-term sustainability of CLP's business model, people, environmental impact and community acceptance.</p>		<p>Set with reference to local and international comparators, wider workforce considerations and the cost to Company. Employer contribution rates for Senior Management are the same as for all employees.</p>

Base Salary	
Purpose and link to strategy	To attract, motivate and retain capable Executives needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.
Operation	Base salaries are reviewed annually considering market data (including base pay and total remuneration opportunity for both local and international peer-group comparators, supplemented where necessary by peer data from published remuneration surveys) and the scope and responsibility of the role, including any changes in responsibility, individual skills and experience. Changes are usually effective from 1 April each year.
Maximum opportunity and alignment with wider workforce	Ordinarily, base salary increases in percentage terms will be in line with, or less than, increases awarded to other CLP employees. Increases may be made above this level for circumstances such as a significant change in responsibility or progression due to recent appointment. The HR&RC's intention is to align total remuneration between the median and upper quartile of the reference market.
Performance measures	Not applicable.
Annual Incentive	
Purpose and link to strategy	To drive performance aligned to short- and long-term value creation considering both what was achieved and how it was achieved, while seeking to avoid excessive risk-taking in the achievement of performance targets.
Operation	AIP awards are determined by the HR&RC's assessment of organisational performance over each financial year. Awards are paid in cash in March following the relevant performance year. AIP awards for the CEO and Hong Kong based members of Senior Management are based on the performance of the CLP Group. For the Managing Director – India awards are based on India performance.

Human Resources & Remuneration Committee Report

Annual Incentive	
Maximum opportunity and alignment with wider workforce	Each member of Senior Management has a maximum annual incentive opportunity of 100% of base salary. Half of the maximum is payable for target performance. The maximum annual incentive opportunity may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the HR&RC. All employees are eligible to participate in the AIP with target AIP percentage calculated as a percentage of base salary.
Performance measures	<p>In assessing organisational performance, the HR&RC considers a balanced scorecard of measures. Given the scale and complexity of our business operations, there are many such measures, including both quantitative and qualitative factors. There is not a formulaic mathematical determination of performance, rather it is a balanced judgement by the HR&RC taking all relevant factors into account. In reaching their decision, the HR&RC considers:</p> <p>WHAT was achieved</p> <ul style="list-style-type: none"> - Financial and Operational performance: Operating EPS, Operating Earnings, Return on Equity, Asset Performance and Customer Minutes Lost <p>HOW it was achieved</p> <ul style="list-style-type: none"> - Safety performance: Fatalities, Lost Time Injury and Total Recordable Injury Rates - Environmental Performance: Regulatory non-compliance cases, CO₂ intensity, Emissions and Renewable Energy capacity as a percentage of new generation portfolio - Internal Control: number of Not Satisfactory Audits and Code of Conduct cases <p>ADDITIONAL OBJECTIVES reflecting strategic priorities and long-term sustainability of the organisation in relation to four dimensions: business model, people and organisational capability, environmental impact and community acceptance.</p>
Long-Term Incentive	
Purpose and link to strategy	To drive long-term business value creation, aligning Senior Management incentives to key strategic objectives, support Senior Management retention and to encourage an owner's mindset.
Operation	LTI awards are based on the target LTI opportunity (50% of the maximum opportunity) set at the beginning of the year, multiplied by the organisational performance score for the preceding year. A minimum of 75% of the award is allocated to CLP Holdings phantom shares based on the average closing share price for the December prior to the making of the LTI award. At the individual's choice, up to 25% of the award can be allocated to either a notional cash deposit or to CLP Holdings phantom shares. Payment is subject to a three-year vesting period.
Maximum opportunity and alignment with wider workforce	Each member of Senior Management has a maximum LTI opportunity of 66.6% of base salary. The final value of the award at the vesting date is determined based on initial allocation choices made and the subsequent impact of changes in share price, dividend reinvestment, exchange rate movements and interest earned over the three-year vesting period. Participation in the LTI Plan applies to Senior Management and other senior roles.
Performance measures	As per the AIP.

Retirement Benefits	
Purpose and link to strategy	To provide market-competitive and sustainable retirement benefits, supporting attraction and retention.
Operation	The Group Provident Fund Scheme is a Defined Contribution scheme which all members of Senior Management and Hong Kong based employees are eligible to join. Employer contributions to the retirement fund range from 10-17.5% of Base Salary plus target annual incentive.
Maximum opportunity and alignment with wider workforce	To receive the maximum 17.5% employer contribution, employees must have completed 10 or more years of service and are required to contribute 10% of their Base Salary. Employer contribution rates are the same for all employees.
Performance measures	Not applicable.

Managing Director – EnergyAustralia

Base Salary	
Purpose and link to strategy	To reflect responsibility and complexity of the role, the skills and experience of the individual and to support the attraction and retention of Executives to develop and deliver our strategy.
Operation	Fixed Annual Remuneration (FAR) includes base salary and employer contribution to the Australian statutory superannuation scheme. FAR is reviewed annually taking into consideration the competitive market position compared to peer companies, a range of listed companies with market capitalisation of 50% to 200% of EnergyAustralia's notional market capitalisation, market practice and individual performance. FAR accounted for 29% of Ms Tanna's potential total remuneration in 2019.
Maximum opportunity and alignment with wider workforce	Ordinarily, FAR increases in percentage terms will be in line with or less than increases awarded to other EnergyAustralia employees.
Performance measures	Not applicable.

Managing Director – EnergyAustralia

Short-Term Incentive	
Purpose and link to strategy	To reward individuals' performance based upon achievement of annual financial and operational targets which are linked to EnergyAustralia's strategy. This ensures that total remuneration received is consistent with organisation performance for which management can be held to account. Deferral of incentives facilitates clawback.
Operation	The EnergyAustralia Board determines the level of incentive at its absolute discretion considering key financial, operational and strategic performance indicators. Performance is assessed over a financial year. The actual payout of Ms Tanna's annual incentive is approved by the Board of EnergyAustralia. 70% of the short-term Incentive (STI) award is paid in cash annually, with 30% deferred for two years.
Maximum opportunity and alignment with wider workforce	Maximum annual incentive opportunity is 150% of FAR which accounted for 43% of Ms Tanna's potential total remuneration in 2019. 100% of FAR is payable for on-target performance. All salaried employees are eligible to participate in the STI with target percentage calculated as a percentage of FAR.
Performance measures	STI awards are based on a mix of the corporate scorecard and specific Managing Director-level objectives related to the strategic performance of business. 60% of the STI is based on corporate performance and 40% on priorities set for the business.
Long-Term Incentive	
Purpose and link to strategy	To drive long-term business performance aligning Senior Management incentives to key strategic objectives and to achieve long-term value creation for shareholders.
Operation	LTI awards are based on performance over a three-year performance period. The EnergyAustralia Board determines the final value of LTI awards depending on the achievement of the LTI Performance Conditions. Upon determination of the Final Award Value, 100% of that value (subject to the discretion of the Nomination and Remuneration Committee of EnergyAustralia) will be paid on the vesting date in the fourth year. A minimum of 50% of the Award must be taken in Notional Securities, with the balance taken as deferred cash. Notional Securities entitles the holder to receive a cash payment based on the value of CLP Holdings fully-paid ordinary shares at the time of vesting, ensuring linkage between EnergyAustralia and CLP performance. At the absolute discretion of the EnergyAustralia Board, subject to applicable laws, the Board may require Ms Tanna to repay a sum equal to the cash amount paid to her.
Maximum opportunity and alignment with wider workforce	Maximum LTI opportunity is equal to 100% of FAR which accounted for 28% of Ms Tanna's potential total remuneration in 2019. 50% of FAR is payable for on-target performance. The final value of the award at the vesting date is based on the subsequent impact of changes in share price. Participation in the LTI Plan applies to senior and selected other roles.
Performance measures	The LTI award is decided by the EnergyAustralia Board, depending on the achievement of LTI Performance Conditions.

Senior Management – Remuneration in 2019 (Audited)

Details of the remuneration of the Senior Management are set out below (except for the Executive Directors, that are set out in “Executive Directors – Remuneration in 2019”).

	Recurring Remuneration Items					Non-recurring Remuneration Items	
	Base Compensation, Allowances & Benefits ¹ HK\$M	Performance Bonus ²		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
		Annual Incentive HK\$M	Long-term Incentive HK\$M				
2019							
Chief Operating Officer (Mr Derek Parkin) ³	4.2	3.7	3.9	0.7	12.5	-	12.5
Chief Operating Officer (Mr David Smales) ⁴	1.3	1.2	-	0.2	2.7	0.5	3.2
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	4.6	4.1	3.6	1.2	13.5	-	13.5
Managing Director – CLP Power (Mr Chiang Tung Keung)	5.4	4.7	2.7	1.4	14.2	-	14.2
Managing Director – EnergyAustralia (Ms Catherine Tanna) ⁵	10.7	12.2	12.4	0.1	35.4	-	35.4
Managing Director – India (Mr Rajiv Mishra) ⁶	4.2	3.4	2.4	1.1	11.1	-	11.1
Managing Director – China (Mr Chan Siu Hung)	4.4	3.9	3.3	1.2	12.8	-	12.8
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	5.3	4.6	4.2	1.3	15.4	-	15.4
Chief Corporate Development Officer (Ms Quince Chong)	5.2	4.6	4.2	1.2	15.2	-	15.2
Chief Human Resources Officer (Mr Roy Massey) ⁷	2.2	2.0	2.7	0.5	7.4	8.2	15.6
Chief Human Resources Officer (Ms Eileen Burnett-Kant) ⁸	1.5	1.3	-	0.2	3.0	0.8	3.8
Total	49.0	45.7	39.4	9.1	143.2	9.5	152.7

Notes 1 to 8 are set out on page 182.

Of the total remuneration paid to Senior Management, HK\$43.8 million (2018: HK\$40.4 million) has been charged to the SoC operation.

Senior Management – Remuneration in 2019 (Audited) (continued)

	Recurring Remuneration Items					Non-recurring Remuneration Item	
	Base Compensation, Allowances & Benefits ¹ HK\$M	Performance Bonus ²		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
		Annual Incentive HK\$M	Long-term Incentive HK\$M				
2018							
Chief Operating Officer (Mr Derek Parkin)	5.3	4.5	0.6	1.0	11.4	-	11.4
Group Director & Vice Chairman – CLP Power Hong Kong	4.4	3.8	3.0	1.1	12.3	-	12.3
Managing Director – CLP Power	5.2	5.2	1.8	1.3	13.5	-	13.5
Managing Director – EnergyAustralia ⁵	11.4	13.3	9.1	0.1	33.9	-	33.9
Managing Director – India ⁶	4.2	3.5	2.1	1.0	10.8	-	10.8
Managing Director – China	4.3	3.7	2.7	1.1	11.8	-	11.8
Group General Counsel & Chief Administrative Officer	5.2	4.3	3.3	1.3	14.1	-	14.1
Chief Corporate Development Officer	5.1	4.3	3.3	1.1	13.8	-	13.8
Chief Human Resources Officer (Mr Roy Massey)	4.2	3.4	2.2	1.1	10.9	-	10.9
Total	49.3	46.0	28.1	9.1	132.5	-	132.5

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 174.
- 2 Refer to Note 2 on Performance Bonus on page 174. For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Nomination and Remuneration Committee and Members of the HR&RC.
- 3 Mr Derek Parkin stepped down as Chief Operating Officer with effect from 1 October 2019 and his remuneration covered the period from 1 January to 30 September 2019.
- 4 Mr David Smales joined the Company on 1 October 2019. The Other Payments of HK\$0.5 million included (a) transition allowance (HK\$0.2 million) and (b) relocation expenses (HK\$0.3 million) which were directly settled by CLP for Mr David Smales to the service providers.
- 5 The remuneration of Ms Catherine Tanna is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.
- 6 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra where 50% of his base salary and annual incentive payment in Rupees were converted to pay in Hong Kong dollars at an exchange rate of 1 HKD = 8.3 Rupees from 1 October 2015 to 30 September 2019. The arrangement has been extended for two years from 1 October 2019 to 30 September 2021 at an exchange rate of 1 HKD = 8.9 Rupees. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.
- 7 Mr Roy Massey retired as Chief Human Resources Officer on 30 June 2019. The annual incentive for 2019 was made on a pro rata basis for his service up to 30 June 2019. The other payments of HK\$8.2 million included (a) accelerated payment of long-term incentive for 2017, 2018 and 2019 (HK\$8.1 million) and (b) encashment of untaken annual leave (HK\$0.1 million).
- 8 Ms Eileen Burnett-Kant joined the Company on 3 September 2019. The Other Payments of HK\$0.8 million included (a) transition allowance (HK\$0.6 million) and (b) relocation payments (HK\$0.2 million) paid in 2019 of which relocation expenses of HK\$0.15 million were directly settled by CLP for Ms Eileen Burnett-Kant to the service providers.

The Five Highest Paid Individuals in 2019 (Audited)

The five highest paid individuals in the Group included two Directors (2018: two Directors) and three members of Senior Management (2018: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2019 HK\$M	2018 HK\$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	35.3	38.3
Performance Bonus ²		
– Annual Incentive	34.0	36.0
– Long-term Incentive	32.4	26.6
Provident Fund Contribution	5.9	6.2
Non-recurring Remuneration Items		
Other Payments	8.2	–
	115.8	107.1

Notes:

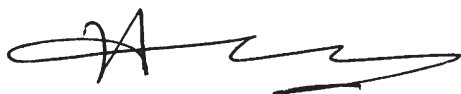
- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 174.
- 2 Refer to Note 2 on Performance Bonus on page 174.

The remuneration paid to these five individuals is within the following bands:

	Number of Individuals	
	2019	2018
HK\$13,500,001 – HK\$14,000,000	–	1
HK\$14,000,001 – HK\$14,500,000	–	1
HK\$15,000,001 – HK\$15,500,000	1	–
HK\$15,500,001 – HK\$16,000,000	1	–
HK\$19,000,001 – HK\$19,500,000	–	1
HK\$20,500,001 – HK\$21,000,000	1	–
HK\$26,000,001 – HK\$26,500,000	–	1
HK\$28,500,001 – HK\$29,000,000	1	–
HK\$33,500,001 – HK\$34,000,000	–	1
HK\$35,000,001 – HK\$35,500,000	1	–

Continued Scrutiny and Disclosure

The HR&RC remains committed to the careful oversight of remuneration policies and levels in the interests of the Company and its shareholders, and to honest and open disclosure on these matters.



Vincent Cheng

Chairman, Human Resources & Remuneration Committee

Hong Kong, 24 February 2020

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is investment holding and those of its subsidiaries are the generation and supply of electricity. The Company's principal subsidiary companies are listed under Note 35 to the Financial Statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint ventures and associates. Details of

the joint ventures and associates are provided under Notes 14 and 15 to the Financial Statements.

Earnings and Dividends

The earnings of the Group for the year are set out under the consolidated statement of profit or loss.

The Directors have declared and paid the first to third interim dividends of HK\$1.89 (2018: HK\$1.83) per share totalling HK\$4,775 million (2018: HK\$4,623 million) during the year.

On 24 February 2020, the Directors declared the fourth interim dividend of HK\$1.19 (2018: HK\$1.19) per share totalling HK\$3,007 million (2018: HK\$3,007 million).

This fourth interim dividend will be paid on 19 March 2020.

Business Review and Performance

Summary of the Review

Discussions on the Group's businesses and performance can be found throughout this Annual Report and the cross references are set out below. These discussions form part of this Directors' Report.

Topics	Sections
1 A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, including analysis using financial key performance indicators	<ul style="list-style-type: none">Financial Highlights (page 9)CEO's Strategic Review (page 18)Financial Review (page 30)Business Performance and Outlook (page 38)Capitals (page 70)
2 Description of the principal risks and uncertainties facing the Group	<ul style="list-style-type: none">Risk Management Report (page 141)Financial Risk Management (page 282)
3 Particulars of important events affecting the Group that have occurred since the end of financial year 2019	<ul style="list-style-type: none">CEO's Strategic Review (page 18)Business Performance and Outlook (page 38)Capitals (page 70)Risk Management Report (page 141)
4 Outlook of the Group's business	<ul style="list-style-type: none">Chairman's Statement (page 14)CEO's Strategic Review (page 18)Business Performance and Outlook (page 38)
5 An account of the Group's relationships with its key stakeholders	<ul style="list-style-type: none">Chairman's Statement (page 14)CEO's Strategic Review (page 18)Shareholder Value (page 23)Business Performance and Outlook (page 38)Capitals (page 70)
6 Details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group	<ul style="list-style-type: none">Chairman's Statement (page 14)CEO's Strategic Review (page 18)Business Performance and Outlook (page 38)Capitals (page 70)Governance (page 100)Five-year Summary: CLP Group Statistics – Environmental and Social (pages 300 and 301)

Board's Statement on ESG

The following is a statement from the Board of Directors explaining the Board's oversight of Environmental, Social and Governance (ESG) issues and how CLP approaches the management of ESG issues.

Governance structure

The CLP Board has overall responsibility for CLP's ESG strategy and reporting. The governance of sustainability is integrated into our corporate governance structure throughout the Group. As one of the Board Committees, the Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues and is supported by the Sustainability Executive Committee. The Audit & Risk Committee retains oversight and responsibility for short-term business risks and for the assurance of sustainability data.

How does CLP approach and manage material ESG issues?

In 2018, we undertook a new approach towards ESG materiality and our reporting gave a greater focus to the most important ESG issues facing the Company; those that are strategic to our business in the medium- to long-term. This materiality assessment process prioritised the key material topics in 2018, and these remain applicable in 2019.

The 2018 materiality assessment process involved extensive desk-based research, review of internal strategy papers, a close examination of CLP company policies, and interviews with internal subject matter experts across CLP. In 2019, we conducted additional external stakeholder interviews to gauge feedback on the key material topics and to identify areas of improvement in our ESG reporting. These inputs were considered by the Sustainability Executive Committee and the Sustainability Committee, and the following material ESG topics were prioritised: Responding to climate change, harnessing the power of technology, reinforcing cyber resilience and data privacy, and building an agile, inclusive and sustainable workforce.

The agenda of work for the Sustainability Executive Committee and the Sustainability Committee of the Board is concentrated on these material ESG topics.

Climate Vision 2050

With climate change being one of the material topics, CLP published the updated Climate Vision 2050 in late 2019. This summarises CLP's latest decarbonisation actions, which include pledging not to invest in any additional coal-fired generation capacity and to progressively phase out all remaining coal assets by 2050.

Climate Vision 2050 is integrated into CLP's strategies on asset portfolio management, including acquisitions and divestments, guiding the Group in managing climate-related opportunities and risks. It also includes the updated targets of committing to an 80% reduction in the Group's carbon intensity by 2050, compared with 2007 levels along with a new renewable energy capacity target of 30% and a new non-carbon emitting capacity target of 40% by 2030.

In addition, CLP is committed to strengthening the Climate Vision 2050 targets at least every five years. The Group will also track its targets and progress towards them against the Science Based Targets initiative*. This transparent comparison will help CLP stay on course to accelerate its transition to a science-based target.

Moving forward, CLP will also use scenario analysis in line with the recommendations of the TCFD to assess the ongoing impact of climate change on the Group.

* A globally-recognised framework backed by the United Nations Global Compact and other international organisations. Please also refer to Glossary regarding "science-based target".

Share Capital

There was no movement in the share capital of the Company during the year. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.

Reserves

Distributable reserves of the Company amounted to HK\$25,328 million as at 31 December 2019 (2018: HK\$27,133 million).

Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2019 amounted to HK\$52,349 million (2018: HK\$55,298 million). Particulars of borrowings are set out in Note 23 to the Financial Statements and on pages 72 to 76 of the Financial Capital.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 0.9% of the Group's total assets as at 31 December 2019.


Equity-linked Agreements

For the year ended 31 December 2019, the Company has not entered into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK\$20,975,000 (2018: HK\$18,311,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2019 and for the previous four financial years are on page 298. A [ten-year summary](#) is on the CLP website. 

Senior Management

The biographical details of the Senior Management as at the date of this Report are set out on pages 108 and 109. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 168.

Major Customers and Suppliers

Sales to the Group's five largest customers together represented less than 30% of the Group's total turnover during the year. Purchases from the Group's five largest suppliers, in aggregate, accounted for 52.75% of the Group's total purchases during the year and a breakdown of the purchases (as a percentage of the Group's total purchases) from each of the five largest suppliers are set out below in descending order:

1. 19.53% from Australian Energy Market Operator (AEMO) in which the Group has no economic interest. AEMO is the administrator and operator of the Australian energy market, from whom electricity is bought to supply EnergyAustralia group customers and to whom electricity is sold from EnergyAustralia group generators (as market participants, EnergyAustralia group entities are members of AEMO but do not hold any economic interest in AEMO).
2. 11.34% from Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) which is 25% owned by the Group. GNPJVC owns Guangdong Daya Bay Nuclear Power Station (GNPS), and CLP Power Hong Kong, a wholly-owned subsidiary of the Company and the largest electricity supplier in Hong Kong, purchases 80% of GNPS's output for supply of electricity to its customers in Hong Kong.
3. 10.75% from PetroChina International Guangdong Co., Ltd. (PCIGD) in which the Group has no interest. CAPCO purchases natural gas from PCIGD for its electricity generation.
4. 7.04% from Ausgrid Operator Partnership (Ausgrid) in which the Group has no interest. EnergyAustralia pays the distribution charges to Ausgrid which owns and operates the electricity distribution network that provides services to customers located in Sydney, the Central Coast and Hunter regions of NSW.
5. 4.09% from Coal India Limited (CIL) in which the Group has no interest. CIL is the single largest coal producer in the world and is an Indian state-owned coal mining corporate which supplies coal to our Jhajjar Power Station.

As at 31 December 2019, none of the Directors, their close associates or substantial shareholders of the Company had any interest in those suppliers other than their indirect interests in GNPJVC, which interests arose from the Group's interest in GNPJVC and the Group's approximate 0.28% shareholding interest in CGN Power Co., Ltd. (the listed entity of which GNPJVC is a subsidiary).

Directors

The Directors of the Company as at the date of this Report, whose names appear on pages 102 to 107, were Directors for the whole year ended 31 December 2019. Their biographical details as at the date of this Report are set out on the same pages. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 168.

Dr Y. B. Lee, pursuant to the retirement age guideline of the CLP Board Diversity Policy, did not seek re-election at the 2019 AGM and retired as a Non-executive Director of the Company at the conclusion of the 2019 AGM held on 6 May 2019. Dr Lee confirmed that he had no disagreement with the Board and that he was not aware of any matter in relation to his retirement that should be brought to the attention of the shareholders of the Company.

Under the Company's Articles of Association, all the Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 119 of the Company's Articles of Association, Sir Rod Eddington, Mr William Mocatta, Mr Vernon Moore, Mr Vincent Cheng and The Hon Sir Michael Kadoorie will retire by rotation at the 2020 AGM.

In accordance with the Company's retirement age guideline under the Board Diversity Policy, as Mr Vernon Moore has reached the age of 72 prior to the 2020 AGM, he will not stand for re-election as a Director at the 2020 AGM. Accordingly, at the conclusion of the AGM he will retire from the CLP Holdings Board and the Board Committees on which he serves.

Having regard to the Company's retirement age guideline under the Board Diversity Policy, as Mr Vincent Cheng will turn 72 shortly after the 2020 AGM, he will not stand for re-election as a Director at the 2020 AGM. Accordingly, at the conclusion of the AGM he will retire from the CLP Holdings Board and the Board Committees on which he serves.

All the other retiring Directors, being eligible, offer themselves for re-election. None of the Directors offering themselves for re-election at the 2020 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

Directors' Interests in Transactions, Arrangements or Contracts

During the year ended 31 December 2019, none of the Directors or his/her connected entity had directly or indirectly any material interest in transactions, arrangements or contracts of significance entered into by the Group.

Alternate Director

During the year ended 31 December 2019 and up to the date of this Report, Mr Andrew Brandler is alternate to Mr William Mocatta.

Directors of Subsidiaries

The [names of all directors who have served on the boards of the subsidiaries of the Company](#) during the year ended 31 December 2019 or during the period from 1 January 2020 to the date of this Report are available on the CLP website. [📄](#)

Permitted Indemnity Provisions

During the financial year and up to the date of this Report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the group-wide directors and officers liability insurance maintained by the Company in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors of the Company.

Continuing Connected Transactions

China Southern Power Grid International (HK) Co., Limited (CSG HK) (effectively China Southern Power Grid Co., Ltd. (CSG) and its subsidiaries (collectively the CSG Group)) is a connected person of CLP Holdings (at the subsidiary level) by virtue of CSG HK being a substantial shareholder of CAPCO, a subsidiary of CLP Holdings. Accordingly, ongoing transactions entered into between members of the CSG Group and members of the CLP Group constitute continuing connected transactions (CCTs) for CLP Holdings under Chapter 14A of the Listing Rules.

Under the Listing Rules, the Group's CCTs relating to the power purchase arrangements with the CSG Group are required to be subject to an annual aggregate cap determined by the Company, and for 2019, this was HK\$3,400 million. The annual aggregate cap was approved by the Board of Directors in January 2019 and subsequently disclosed in the announcement dated 31 January 2019. The project level caps of the CCTs for 2019 set out in the table on pages 188 to 199 are for reference only and were used to derive the annual aggregate cap of HK\$3,400 million.

Other details of the CCTs, which are required to be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules, are also set out in the same table. The considerations for 2019, unless otherwise stated, represented the actual transaction values of the relevant CCTs in the full twelve months of 2019.

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK\$M	
1	CLP Power Hong Kong electricity sales to Mainland China						
1.1	Power Sales Contract Original arrangement entered into on 10 February 2012 and extended by way of supplemental agreements. The last supplemental agreement was entered into on 28 December 2018 for the term from 1 January to 31 December 2019. The contract expired on 31 December 2019 without renewal.	CLP Power Hong Kong	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (CSG-GPG) Guangdong Power Grid Materials Company Limited, as payment agent of CSG-GPG	CLP Power Hong Kong sells electricity to CSG-GPG.	Payment is based on the number of GWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account available market information and the relevant cost.	–	
1.2	Energy Economy Interchange Agreement Original agreement entered into on 25 December 2015 and extended by way of further agreements. On 5 November 2018, a supplemental agreement was entered into to further extend the term to 24 December 2021. On 20 December 2019, a supplemental agreement was entered into under which the expiry date remains unchanged.	CLP Power Hong Kong	CSG-GPG	Economic interchange of electricity from, on the one side, CLP Power Hong Kong to CSG-GPG and, on the other, from CSG-GPG to CLP Power Hong Kong, depending on which party is affected by an emergency incident resulting in interruption of normal electricity supply to its customers.	Where the consideration is settled by cash payment, it is based on the number of GWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account the available market information and the relevant cost. The consideration will, under circumstances prescribed in the agreement, be settled by either cash payment or by CSG-GPG's supply of such volume of water to Guangzhou Pumped Storage Power Station (for which the CLP Group has contractual rights to use 50% of Phase 1 of the power station (600MW)) for the generation of electricity equivalent to the volume supplied by CLP Power Hong Kong.	–	
	Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China (Project level cap for 2019 was HK\$288.00 million)						–
2	Huaiji hydro project						
2.1	Zelian Hydro Station Power Purchase Agreement (PPA) Agreement entered into on 24 September 2018 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 23 September 2020.	Guangdong Huaiji Xinlian Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHX)	Zhaoqing Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-ZPB)	CLP-GHX sells electricity to CSG-ZPB which delegated the role of settlement to Zhaoqing Huaiji Power Bureau, another subsidiary of CSG.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the Guangdong Provincial Development and Reform Commission (Guangdong PDRC). This tariff is published at the Guangdong PDRC Document YueJia [2013] No. 177 and is updated from time to time. The above pricing also applies to items 2.3-2.8.	6.12	
2.2	Supplemental Agreement to Zelian Hydro Station PPA New agreement entered into on 16 August 2019 for a one-year period from 19 April 2019 to 18 April 2020.	CLP-GHX	CSG-ZPB	This is for the temporary arrangement for CSG-ZPB to supply electricity to CLP-GHX during the technical retrofit of Zelian Hydro Station and the upgrade of the local grid company.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2019] No. 138 and is updated from time to time.	0.42	
2.3	Longzhongtan Hydro Station PPA Agreement entered into on 25 December 2018 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 24 December 2020.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	3.17	

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK\$M
2.4	Jiaoping Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2020.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 2.1 above	2.16
2.5	Xiazhu Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2020.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	7.67
2.6	Shuixia Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2020.	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHW)	CSG-ZPB	CLP-GHW sells electricity to CSG-ZPB.	As in item 2.1 above	39.62
2.7	Baishuihe Four Hydro Stations PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2020.	Guangdong Huaiji Changxin Hydro-electric Power Company Limited (CLP-GHC) Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (CLP-GHG) CLP-GHW CLP-GHX All of the above companies are subsidiaries of the Company.	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 2.1 above	169.26
2.8	Niuqi Hydro Station PPA Agreement entered into on 26 July 2016 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 25 July 2020.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	26.12
Aggregated total consideration for Huaiji hydro project (Project level cap for 2019 was HK\$348.00 million)						254.54

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK\$M
3	Meizhou solar project (acquired by the CLP Group in January 2019)					
3.1	Meizhou Solar Project PPA New agreement entered into on 1 March 2019 for the term from 1 February 2019 to 1 February 2020.	Pingyuan Litian New Energy Power Company Limited, a wholly-owned subsidiary of the Company (CLP Meizhou)	Meizhou Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPB)	CLP Meizhou sells electricity to CSG-MPB.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2017] No. 3084 and is updated from time to time.	50.90
3.2	Meizhou Solar Project High Voltage Electricity Supply Contract New agreement entered into on 10 July 2019 for a one-year period to 9 July 2020.	CLP Meizhou	Meizhou Pingyuan Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPPB)	CSG-MPPB supplies electricity to CLP Meizhou for power consumption at the project site.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2018] No. 213 and is updated from time to time.	0.29
	Aggregated total consideration for Meizhou solar project (Project level cap for prospective projects in 2019 was HK\$82.00 million)					51.19
4	Yang_er hydro project					
4.1	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019 with automatic renewal for another one-year period to 9 May 2020.	Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company (Dali Yang_er)	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG (CSG Yangbi)	CSG Yangbi supplies electricity to Dali Yang_er for use by the facilities at the main dam.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan Provincial Development and Reform Commission (Yunnan PDRC). This tariff is updated from time to time.	0.01
4.2	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019 with automatic renewal for another one-year period to 9 May 2020.	Dali Yang_er	CSG Yangbi	CSG Yangbi supplies electricity via a 10kV line to Dali Yang_er during overhaul related outages.	As in item 4.1 above	-
4.3	Yang_er Hydro Project High Voltage Electricity Supply Contract Original agreement entered into on 4 November 2009 and continuingly valid since then. On 23 March 2019, a new agreement with automatic renewal provision was entered into for a three-year period to 22 March 2022.	Dali Yang_er	Dali Power Bureau of Yunnan Power Grid Company Limited (CSG Yunnan), a subsidiary of CSG (CSG-DPB)	CSG-DPB supplies electricity via a 110kV line to Dali Yang_er during overhaul related outages.	As in item 4.1 above	0.01
4.4	Power Exchange Sales Transactions entered into via Kunming Power Exchange Center Limited (Kunming PEC) on various dates in 2019 for electricity sales for various durations.	Dali Yang_er	CSG Yunnan, a subsidiary of CSG, and Kunming PEC which is 50% owned by CSG Yunnan	Dali Yang_er sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	Payment is based on the number of GWh sold multiplied by the tariff determined through competitive bidding processes conducted on Kunming PEC, an arm's length tariff agreed between the parties for market sales (as applicable), or set by Kunming PEC for interprovincial electricity sales (together with a transaction fee charged by Kunming PEC).	23.22
	Aggregated total consideration for Yang_er hydro project (Project level cap for 2019 was HK\$19.00 million)					23.24

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK\$M
5	Xicun solar project (Phases I and II)					
5.1	Xicun Solar Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2020.	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company (CLP Xicun)	CSG Yunnan	CLP Xicun sells electricity to CSG Yunnan.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the National Development and Reform Commission (NDRC) and subject to adjustment in accordance with the 2019 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan PDRC and Yunnan Provincial Energy Administration and is updated from time to time.	63.27
5.2	Xicun Solar Project Electricity Supply Contract (10kV) Agreement entered into on 11 December 2014 for a three-year period to 10 December 2017 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 10 December 2020.	CLP Xicun	Binchuan Electricity Supply Company Limited, a subsidiary of CSG (CSG Binchuan)	CSG Binchuan supplies electricity to CLP Xicun for power consumption at the project site.	As in item 4.1 above	0.03
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 25 January 2016 to 24 January 2019 with automatic renewal for successive three-year periods. On 23 December 2019, a new agreement with automatic renewal provision was entered into for a three-year period to 22 December 2022.	CLP Xicun	CSG-DPB	CSG-DPB supplies electricity (110kV) to CLP Xicun for power consumption at the project site for equipment when the plant is not in generation status.	As in item 4.1 above	0.40
5.4	Xicun Solar Project High Voltage Electricity Supply Contract (for pump station) Agreement entered into on 31 July 2015 for a three-year period to 30 July 2018 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 30 July 2021.	CLP Xicun	CSG Binchuan	CSG Binchuan supplies electricity (10kV) to CLP Xicun for use by the watering facilities.	Payment is based on the number of kWh sold multiplied by the agricultural tariff for agricultural users determined by the Yunnan PDRC. This tariff is updated from time to time.	0.03
5.5	Power Exchange Sales Transactions entered into via Kunming PEC on various dates in 2019 for electricity sales for various durations.	CLP Xicun	CSG Yunnan and Kunming PEC	CLP Xicun sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	As in item 4.4 above	74.89
Aggregated total consideration for Xicun solar project (Phases I and II) (Project level cap for 2019 was HK\$90.00 million)						138.62

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK\$M
6	Xundian wind project					
6.1	Xundian Wind Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2020.	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company (CLP Xundian)	CSG Yunnan	CLP Xundian sells electricity to CSG Yunnan.	As in item 5.1 above	20.55
6.2	Xundian Wind Project Electricity Supply Contract Agreement entered into on 30 November 2015 for a three-year period to 29 November 2018 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 29 November 2021.	CLP Xundian	Kunming Power Bureau of CSG Yunnan, a subsidiary of CSG (CSG-KPB)	CSG-KPB supplies electricity via a 110kV line to CLP Xundian for start up purposes.	As in item 4.1 above	0.04
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) Agreement entered into on 19 September 2017 for a three-year period to 18 September 2020. On 8 July 2019, a new agreement with automatic renewal provision was signed to extend the term for a three-year period to 7 July 2022.	CLP Xundian	Kunming Xundian Power Supply Company Limited of CSG Yunnan, a subsidiary of CSG (CSG-KXPSC, formerly known as Xundian Power Supply Company Limited)	CSG-KXPSC supplies electricity to CLP Xundian for use by the facilities in the plant.	Payment is based on the number of kWh sold multiplied by the non-residential tariff determined by the Yunnan PDRC. This tariff is updated from time to time.	-
6.4	Power Exchange Sales Transactions entered into via Kunming PEC on various dates in 2019 for electricity sales for various durations.	CLP Xundian	CSG Yunnan and Kunming PEC	CLP Xundian sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	As in item 4.4 above	49.97
	Aggregated total consideration for Xundian wind project (Project level cap for 2019 was HK\$43.00 million)					70.56
7	Sandu wind project					
7.1	Sandu Wind Project PPA Agreement entered into on 29 December 2017 for a two-year period from 1 January 2018 to 31 December 2019. On 31 December 2019, a new agreement with automatic renewal provision was entered into for another two-year period to 31 December 2021.	CLP (Sandu) Renewable Energy Limited, a wholly-owned subsidiary of the Company (CLP Sandu)	Guizhou Power Grid Company Limited, a subsidiary of CSG (CSG Guizhou)	CLP Sandu sells electricity to CSG Guizhou.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the NDRC. The tariff is published at the NDRC Document FaGaiJiaGe [2014] No. 3008 and is updated from time to time.	119.46
7.2	Sandu Wind Project Electricity Supply Contract (220kV) Agreement entered into on 21 March 2018 for a one-year period from 18 August 2018 to 17 August 2019 with automatic renewal for another one-year period to 17 August 2020.	CLP Sandu	Duyun Sandu Power Bureau of CSG Guizhou, a subsidiary of CSG (CSG-DSPB)	CSG-DSPB supplies electricity to CLP Sandu for power consumption at the project site.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Guizhou Provincial Development and Reform Commission. This tariff is updated from time to time.	0.31
7.3	Sandu Wind Project Electricity Supply Contract (10kV) Agreement entered into on 23 March 2018 for a three-year period to 22 March 2021.	CLP Sandu	CSG-DSPB	CSG-DSPB supplies electricity to CLP Sandu for power consumption at the project site.	As in item 7.2 above	-
	Aggregated total consideration for Sandu wind project (Project level cap for 2019 was HK\$152.00 million)					119.77

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK\$M
8	Fangchenggang coal-fired project (Phases I and II)					
8.1	Fangchenggang Coal-fired Project PPA Agreement entered into on 12 February 2018 for a one-year period from 1 January to 31 December 2018 with automatic renewals by continued performance. The immediate preceding term was from 1 January to 31 December 2019.	CLP Guangxi Fangchenggang Power Company Limited, a majority-owned joint venture of the Company (CLP-FCG)	Guangxi Power Grid Company Limited, a subsidiary of CSG (CSG Guangxi)	CLP-FCG sells electricity to CSG Guangxi.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the Guangxi Price Bureau. This tariff is published at Guangxi Price Bureau Document GuiJiaGe [2017] No. 34 and is updated from time to time.	8.92
8.2	Fangchenggang High Voltage Electricity Supply Contract Agreement entered into on 27 September 2015 for a two-year period with automatic renewals for successive two-year periods. The immediate preceding term was from 27 September 2017 to 26 September 2019.	CLP-FCG	Fangchenggang Power Bureau of CSG Guangxi, a subsidiary of CSG (CSG-FPB)	CSG-FPB supplies standby electricity to CLP-FCG.	As in item 8.1 above	0.01
8.3	Fangchenggang High Voltage Electricity Supply Contract Continuingly valid since 1 June 2009 (being the date of the agreement).	CLP-FCG	CSG-FPB	CSG-FPB supplies standby electricity to the water pumping facilities of CLP-FCG.	As in item 8.1 above	-
8.4	Power Exchange Sales Transactions entered into via Guangxi Power Exchange Center Limited (Guangxi PEC) on various dates in 2019 for electricity sales for various durations.	CLP-FCG	CSG-GPG and CSG Guangxi	CLP-FCG sold electricity through Guangxi PEC from time to time where (i) CSG Guangxi acts as settlement agent and assumes settlement risks for these transactions as defined under the Guangxi PEC settlement rules or (ii) CLP-FCG sold electricity to CSG-GPG for interprovincial electricity sales.	Payment is based on the number of GWh sold multiplied by the tariff determined through competitive bidding processes conducted on Guangxi PEC and an arm's length tariff agreed between the parties for market sales (as applicable).	370.52
Aggregated total consideration for Fangchenggang coal-fired project (Phases I and II) (see Note) <i>(Project level cap for 2019 was HK\$2,378.00 million)</i>						379.45
Total Consideration for 2019						1,037.37

Note:

Since 1 February 2019, as a result of the amendments to the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, CLP-FCG is no longer treated as a subsidiary of the CLP Group for Listing Rules purposes, therefore, from then on, transactions between CLP-FCG and the CSG Group are no longer CCTs. Accordingly, the historical transaction values of CCTs entered into between CLP-FCG and the CSG Group disclosed in the table above were for the one month ended 31 January in 2019 only.

Pursuant to Rule 14A.55 of the Listing Rules, all the Independent Non-executive Directors of the Company have reviewed the CCTs and confirmed that the CCTs have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better to CLP; and
- (iii) according to the relevant agreement governing each of the CCTs on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's independent auditor, PwC, was engaged to report on the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

PwC has reviewed these transactions and, pursuant to Rule 14A.56 of the Listing Rules, confirmed to the Board of the Company that nothing has come to their attention that causes them to believe that:

- (i) the transactions have not been approved by the Board of the Company;
- (ii) the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) the transactions have exceeded the annual aggregate cap.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

Interests of Directors and Chief Executive Officer

The interests/short positions of each of the Directors and the CEO in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 31 December 2019, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

1 Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of Directors and the CEO in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2019 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon Sir Michael Kadoorie	Note 1	480,672,780	19.02562
Mr William Mocatta	Note 2	400,000	0.01583
Mr J. A. H. Leigh	Note 3	218,796,853	8.66025
Mr Andrew Brandler	Note 4	10,600	0.00042
Mr Philip Kadoorie	Note 5	410,524,882	16.24908
Mr Nicholas C. Allen	Note 6	27,000	0.00107
Mrs Fanny Law	Beneficial Owner	6,800	0.00027
Ms May Siew Boi Tan	Beneficial Owner	20,000	0.00079
Mr Richard Lancaster (CEO)	Personal	600	0.00002

Notes:

- 1 The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 480,672,780 shares in the Company. These shares were held in the following capacity:
 - a 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.
 - b 70,146,655 shares were ultimately held by discretionary trusts, of which The Hon Sir Michael Kadoorie is one of the discretionary objects.
 - c 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - d 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - e 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - f 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

For the purpose of the Securities and Futures Ordinance, the spouse of The Hon Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in 1b to 1f above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 480,672,780 shares in the Company representing approximately 19.03% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 480,671,537 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 480,671,537 shares attributed to her for disclosure purposes.

- 2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 400,000 shares in the Company. These shares were held in the following capacity:
 - a 250,000 shares were held in the capacity as the founder of a discretionary trust.
 - b 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.
- 3 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 218,796,853 shares in the Company. These shares were held in the following capacity:
 - a 145,000 shares were held in a beneficial owner capacity.
 - b 218,651,853 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.
- 4 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.
- 5 Mr Philip Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 410,524,882 shares in the Company. These shares were held in the following capacity:
 - a 233,044,212 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - b 170,180,670 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - c 1,300,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - d 2,000,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - e 2,000,000 shares were ultimately held by each of two discretionary trusts, both of which Mr Philip Kadoorie is one of the default beneficiaries.
- 6 27,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Mr Vernon Moore, Sir Rod Eddington, Mr Vincent Cheng, Mrs Zia Mody and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2019.

None of the Directors or the CEO had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2019.

2 Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Directors or the CEO had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2019.

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors and the CEO of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

Interests of Substantial Shareholders

The interests/short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2019, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

1 Aggregate long position in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' interests in the shares of the Company as at 31 December 2019:

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company		% of the Issued Share Capital of the Company
Bermuda Trust Company Limited	Trustee/Interests of controlled corporations	311,153,954	Note 1	12.32
Guardian Limited	Beneficiary/Interest of controlled corporation	218,651,853	Note 7	8.65
Harneys Trustees Limited	Interest of controlled corporation	410,524,882	Note 3	16.25
Lawrencium Holdings Limited	Beneficiary	170,180,670	Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212	Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212	Note 2	9.22
The Mikado Private Trust Company Limited	Trustee/Interests of controlled corporations	410,524,882	Note 2	16.25
Oak CLP Limited	Beneficiary	218,651,853	Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853	Note 1	8.65
The Oak Private Trust Company Limited	Trustee/Interests of controlled corporations	233,371,475	Note 4	9.24
The Hon Sir Michael Kadoorie	Note 5	480,672,780	Note 5	19.03
Mr J. A. H. Leigh	Notes 6 & 7	218,796,853	Notes 6 & 7	8.66
Mr Philip Kadoorie	Note 8	410,524,882	Note 8	16.25
Mr R. Parsons	Trustee	218,651,853	Note 7	8.65

Notes:

- 1 Bermuda Trust Company Limited was deemed to be interested in the shares in which Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".
- 2 The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested. The interests of The Mikado Private Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the beneficiaries and a founder as disclosed in "Interests of Directors and Chief Executive Officer".

- 3 Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and was therefore deemed to be interested in the shares in which such company was deemed to be interested.
- 4 The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies.
- 5 See Note 1 under "Interests of Directors and Chief Executive Officer".
- 6 See Note 3 under "Interests of Directors and Chief Executive Officer".
- 7 Mr R. Parsons and Mr J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 218,651,853 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.
- 8 See Note 5 under "Interests of Directors and Chief Executive Officer".

As at 31 December 2019, the Company had not been notified of any long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.


2 Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2019, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Interests of Any Other Persons

As at 31 December 2019, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on page 110 of this Annual Report, while our [Sustainability Report](#) available online describes the Company's actions and initiatives with particular emphasis on the social and environmental aspects of our activities. 

Auditor

The Financial Statements for the year have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment, at the AGM of the Company.

On behalf of the Board



William Mocatta

Vice Chairman

Hong Kong, 24 February 2020