

## Message from the Company Secretary

In recent years, Environment, Social and Governance (ESG) issues have continued to rise in prominence for our stakeholders. We welcome this development and are pleased to report that in 2021 CLP has made clear progress in these areas.

Climate change is the biggest environmental issue facing the world and is one of the most material risks to CLP's business. We continue to take steps to proactively address this risk while also exploring ways to seize the opportunities that will come from the energy transition.

In 2021, we strengthened our Climate Vision 2050 targets as outlined extensively in this Report. These significant long-term commitments were determined after a thorough strategic review involving the CLP Holdings Board, the Sustainability Committee and the Sustainability Executive Committee. The review process undertaken illustrates the high degree of focus that our Board and management apply to this very important ESG topic.

We have always regarded transparency and accountability as fundamental principles of good governance and in this year's Annual Report, we have further sharpened on how we report on the ESG topics with a double materiality approach.

The 2021 Annual Report focuses on those material ESG issues that have an enterprise value impact on CLP and the [Sustainability Report](#) discusses the impact that CLP

has on people, the environment and the economy. We believe that this reporting approach will more clearly articulate how CLP as an organisation impacts our ESG stakeholders and those ESG issues that impact on CLP's enterprise value. 

As our business evolves, our Board and governance practices are regularly reviewed to ensure that they continue to best serve CLP. The regular refresh of our Board and Board Committees is an important element of this process and this is an ongoing commitment of our Board to ensure that we have the best people, skills and experience to lead CLP through the challenges that we face.

While the outlook remains uncertain, we remain confident that CLP's long-term focus and commitment to good governance will hold us in good stead to manage our business in an ever dynamic environment.

**David Simmonds**  
Company Secretary



*CLP is proud to be recognised in our efforts in our Corporate Governance and Annual Report. In 2021, we are very honoured to have received the Hong Kong Institute of Certified Public Accountants' Platinum Award in the newly established Most Sustainable Companies/Organisations Awards in the Hang Seng Index category.*

*The new category was reserved for companies with outstanding performance in both corporate governance and ESG, and the aim to reflect "sustainability" in its broadest sense, not merely focusing on ESG.*



## 2021 At a Glance

### Climate Vision 2050 – ESG Governance and KPIs

CLP's Climate Vision 2050 sets out the blueprint of the Group's transition to net-zero greenhouse gas emissions by mid-century.

In 2021, the key targets and commitments in the Climate Vision 2050 have been updated and strengthened. Details of these are set out on page 18 of the Annual Report.


#### From a governance perspective:


- ◆ **KPIs** – these targets and commitments are KPIs for our ESG disclosures for the purposes of the Hong Kong Stock Exchange Listing Rules; and
- ◆ **Governance and review** – the targets were formulated following a strategic review by engaging with internal and external stakeholders, including our Board, the Sustainability Committee, the Sustainability Executive Committee, relevant business units, and our investors.

### Material ESG Topics – Our Approach to ESG reporting

One of the key Reporting Principles of the Hong Kong Stock Exchange ESG Reporting Guide is materiality; essentially, those ESG issues that are determined by the Board as more important to investors and other stakeholders will need to be reported.

CLP undertakes a materiality assessment process to determine the material ESG topics for reporting purposes. This process involves engagement with external and internal stakeholders with further validation and review undertaken periodically.

Building on the materiality assessment process, we have taken a double materiality approach for our Annual Report and [Sustainability Report](#). 

- ◆ **Annual Report** – this will discuss the material ESG issues that have an enterprise value impact on CLP; and
- ◆ **Sustainability Report** – this explains the impact that CLP has on people, the environment and the economy. 

With the ever-increasing demand for ESG information from different stakeholders, we believe this will assist our stakeholders in understanding the ESG topics that would have an impact on CLP's enterprise value, and those that are impactful in a broader sense.

### Hong Kong Stock Exchange Amended Corporate Governance Code

Late in 2021, the Hong Kong Stock Exchange introduced amendments to the Listing Rules which are aimed at enhancing the market's corporate governance framework and promoting good governance amongst listed companies.

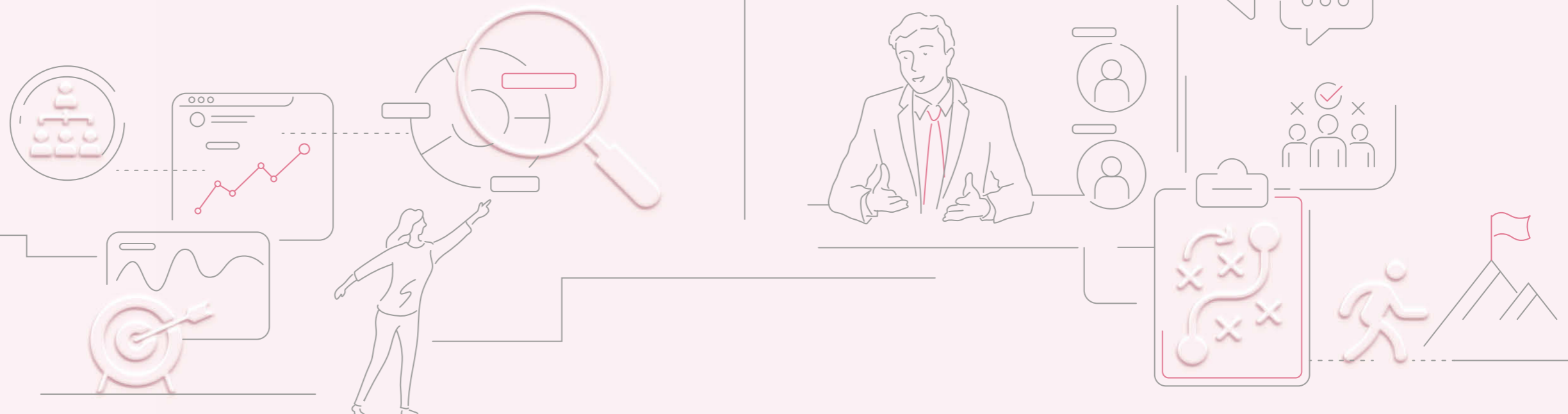
Some of the key changes cover the following areas: alignment of a company's culture; requirements on long-serving independent directors and mechanisms to ensure independent views are available to the board; gender diversity at board and management level; a mandatory requirement for nomination committee; and shareholders communication policy. These changes are effective 1 January 2022.

CLP already fulfills most of these new requirements. An analysis of the new requirements and our practices on these are set out on page 109. We have also recently amended our Board Diversity Policy to explain how CLP will consider the independence of our Directors and to elaborate on our commitment that Directors be given the opportunity and channel to express their views.

### Internal Board Survey

CLP is committed to undertaking external and internal Board reviews. We have conducted an internal Board review in 2021. This review takes the form of a questionnaire and covers a broad range of topics including: Board composition and dynamics, Board meeting cycle and Board materials, Board's focus and oversight of a range of issues.

This internal Board survey is a timely one as it reinforces the importance of the mechanisms in place for Directors to provide feedback to the Board as envisaged in the Hong Kong Stock Exchange new corporate governance requirements. In addition, feedback from this survey will assist in formulating the focus of attention for the 2022 Board review which will be conducted with an external consultant.




## Corporate Governance Code: Compliance and more


### Hong Kong Stock Exchange Amended Corporate Governance Code

In December 2021, the Hong Kong Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code (the Corporate Governance Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) and the associated Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. A good part of the new requirements under the amended Corporate Governance Code have long been adopted by CLP as our corporate governance practices over the years. These are highlighted in the following table:

New Requirements	CLP's Practices
<p><b>Align the company's culture with its purpose, values and strategy</b> (Code Provision A.1.1)</p>	<p>CLP's Value Framework was first introduced in 2003 and last refreshed in 2020. It articulates multiple layers of our corporate identity and culture, namely Vision, Mission, Values and Commitments and Policies &amp; Codes, which guide us in fulfilling our purpose and strategies.</p>
<p><b>Establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations</b> (Code Provision D.2.7)</p>	<p>We have formulated our own Anti-Fraud Policy and it was last updated in 2019, which covers activities such as corruption, conspiracy, embezzlement, money laundering, bribery, and extortion. The Anti-Fraud Policy is reviewed on a regular basis; any convicted cases will be reported to the Audit &amp; Risk Committee.</p>
<p><b>Establish whistleblowing policy and system</b> (Code Provision D.2.6)</p>	<p>Our Whistleblowing Policy was first adopted in 2012 and is reviewed on a regular basis; any convicted cases will be reported to the Audit &amp; Risk Committee.</p>
<p><b>Communications with shareholders and annual review</b> (Paragraph L of the Mandatory Disclosure Requirement)</p>	<p>The Shareholders' Communication Policy was introduced in 2012 and was last updated in 2019. It sets out CLP's commitment of maintaining an effective ongoing dialogue with shareholders. The Shareholders' Communication Policy is reviewed by the Audit &amp; Risk Committee on a regular basis. Please see section "Shareholders Engagement" on page 131.</p>
<p><b>Annually review the board diversity policy; and disclose the mechanism(s) to ensure independent views and input are available to the board, and annual review of the implementation and effectiveness of such mechanism(s)</b> (Code Provisions B.1.3 and B.1.4)</p>	<p>Our Board Diversity Policy was adopted by the Board in 2013 and the recently updated policy was adopted by the Board in February 2022. The policy is subject to annual review by the Nomination Committee.</p> <p>The revised Board Diversity Policy formally recognises our practice of ensuring that independent views and input are made available to the Board; details of which are explained in the section "Why Board Diversity is Important to CLP" on page 125.</p>
<p><b>Equity-based remuneration (e.g. share options or grants) with performance-related elements should not be granted to independent non-executive directors</b> (Recommended Best Practice E.1.9)</p>	<p>The level of fees payable to our Non-executive Directors (including Independent Non-executive Directors) is subject to independent review and shareholders' approval. We have a long-established practice of a combined time-based and benchmarked approach in determining our Non-executive Directors' fees which do not involve equity-based remuneration with performance-related elements.</p>

New Requirements	CLP's Practices
<p><b>Gender diversity targets at board level and across workforce</b></p> <ul style="list-style-type: none"> <li>◆ <b>Board level</b> – to set and disclose numerical targets and timelines for achieving gender diversity.</li> <li>◆ <b>Workforce level</b> – to disclose and explain the gender ratio (including senior management), any plans or measurable objectives the company has set for achieving gender diversity.</li> </ul> <p>(Paragraph J of the Mandatory Disclosure Requirement)</p>	<p>Current female representation at Board level is about 31%.</p> <p>Gender diversity at Board and workforce levels (including our Senior Management) is disclosed in the Annual Report.</p>
<p><b>Nomination Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors</b></p> <p>(Listing Rule 3.27A)</p>	<p>Our Nomination Committee, which comprises a majority of Independent Non-executive Directors, has been chaired by an Independent Non-executive Director since 2018.</p>
<p><b>Elaborate the linkage between corporate governance and ESG</b></p> <p>(Introductory paragraph in the Corporate Governance Code, New Principle D.2, Code Provisions D.2.2 and D.2.3)</p>	<p>The linkage is well articulated in the “Board’s Statement on ESG” which forms part of the Directors’ Report.</p>
<p><b>Publish ESG reports at the same time as publication of annual reports</b></p> <p>(Listing Rule 13.91(5)(d) and paragraph 4(2)(d) of the ESG Reporting Guide)</p>	<p>Our online <a href="#">Sustainability Report</a> is published at the same time as our Annual Report. </p>

## The CLP Code on Corporate Governance




The [CLP Code on Corporate Governance](#) (CLP Code) is our own unique code and it is built on CLP’s own standards and experience while respecting the benchmarks set by the Hong Kong Stock Exchange. The CLP Code is on our website and available on request. With the Hong Kong Stock Exchange Amended Corporate Governance Code, we will be reviewing the CLP Code to update and reflect the new requirements. 

Our Code goes beyond the principles of good corporate governance and incorporates the Code Provisions on a “comply or explain” basis and certain Recommended Best Practices as set out in the Corporate Governance Code. The only exception, however, concerns quarterly reporting, details of which are explained on page 112.



We have made **further enhancements to our corporate governance practices in 2021** and some of these are highlighted in “2021 At a Glance”.

## Areas in which our Corporate Governance Practices exceed the Hong Kong Stock Exchange Corporate Governance Code

### Our Board

- ◆ The composition of the Board and the Audit & Risk Committee exceed the independence requirements under the Listing Rules.
- ◆ We conduct regular external and internal Board and Board Committee reviews and a [summary](#) of the conclusions of the last external Board review taken in 2019 is published on the CLP website. 
- ◆ We issue a formal letter of appointment for Non-executive Directors. The [model letter](#) is on our website and deals with a range of matters regarding a Director's appointment and responsibilities including an expected level of time commitment. 
- ◆ We have a set of bespoke CLP Onboarding Guidelines for Directors with the key objective of assisting new Directors in their understanding of CLP's business, governance and Board and Committee dynamics. The [Guidelines](#) are available on the CLP website. 
- ◆ With the objective of minimising succession risk, the retirement age guideline in our Board Diversity Policy provides that where a Non-executive Director (other than the Chairman) has reached the age of 72 at the time of the relevant AGM, such Director will not be considered for re-election, however, this may be waived if the Board considers such Director has the skills, experience or capabilities that cannot be replaced at the relevant time.

### Our disclosure

- ◆ Our Fair Disclosure Policy sets out the principles for the broad and non-exclusionary distribution of information to the public.
- ◆ Our Continuous Disclosure Obligation Procedures guide the organisation in monitoring and disclosing potential inside information.
- ◆ The Continuous Disclosure Committee conducts regular assessment of potential inside information.
- ◆ Our Risk Management Report sets out CLP's risk management framework and how CLP manages the Group's material risks.
- ◆ We disclose our Senior Management's confirmation of compliance with the Model Code and CLP Code for Securities Transactions, in addition to similar disclosures by our Directors.
- ◆ Our disclosure of financial information on the CLP Group's joint ventures and associates includes off-balance sheet contingent liabilities.
- ◆ We issue individual Board Committee reports in our Annual Report for the Audit & Risk Committee, Sustainability Committee, Nomination Committee and Human Resources & Remuneration Committee.
- ◆ We announce our financial results within two months after the end of the financial year. The [Annual Report](#) is available on our website within the following fortnight with hardcopies sent to shareholders about two weeks after that. 
- ◆ We disclose on our website [minutes of our AGM](#); in addition, any questions or topics that are not specifically addressed at the AGM, full answers are provided and disclosed. 

### Our unique policies and practices

- ◆ CLP has established its own Corporate Governance Framework, the Value Framework and its own Code for Securities Transactions. Our Value Framework was refreshed in December 2020.
- ◆ We have formulated our own Anti-Fraud Policy (with online training in 2020) which stipulates our commitment to preventing, detecting and reporting fraud, bribery and extortion.
- ◆ General Representation Letters are issued by our CEO and CFO to the Audit & Risk Committee as verification of compliance.
- ◆ We conduct a Group-wide Business Practice Review for our staff on a periodic basis to foster employees' understanding of our Code of Conduct (updated in May 2020) under CLP's Value Framework. An important aspect of this is ensuring that our employees maintain a good understanding of CLP's culture and values.
- ◆ Under our Value Framework, we also have a Responsible Procurement Policy Statement. This sets out our expectations of the suppliers, and of their suppliers and subcontractors; we encourage them to follow the same standards of integrity and transparency in doing business with us.
- ◆ Our Audit & Risk Committee will regularly examine the audit activity reviews conducted by the Internal Auditors. The Internal Auditors will highlight the significant events and findings which require the Committee's attention and further examination, where appropriate.
- ◆ Members of our Audit & Risk Committee will conduct a meeting as between Members only prior to the full Committee meeting attended by management and the auditors; two of which are joined by the independent auditor.
- ◆ For the Group's continuing connected transactions (CCTs), we engage the Company's independent auditor, PwC to undertake an agreed-upon procedures (AUP) engagement on the Group's CCTs pricing policies. The AUP findings were provided to the Independent Non-executive Directors as part of their consideration of the CCTs for the purposes of giving the required confirmation under Rule 14A.55 of the Listing Rules.

## Compliance with the Corporate Governance Code and ESG Reporting Guide of the Hong Kong Stock Exchange

Throughout the financial year ended 31 December 2021, the Company has complied with the Code Provisions and applied all the principles in the Corporate Governance Code in force during the year. CLP deviates from only one Recommended Best Practice in the Corporate Governance Code – that an issuer should announce and publish quarterly financial results.

### Our Considered Reasons for not Issuing Quarterly Financial Results

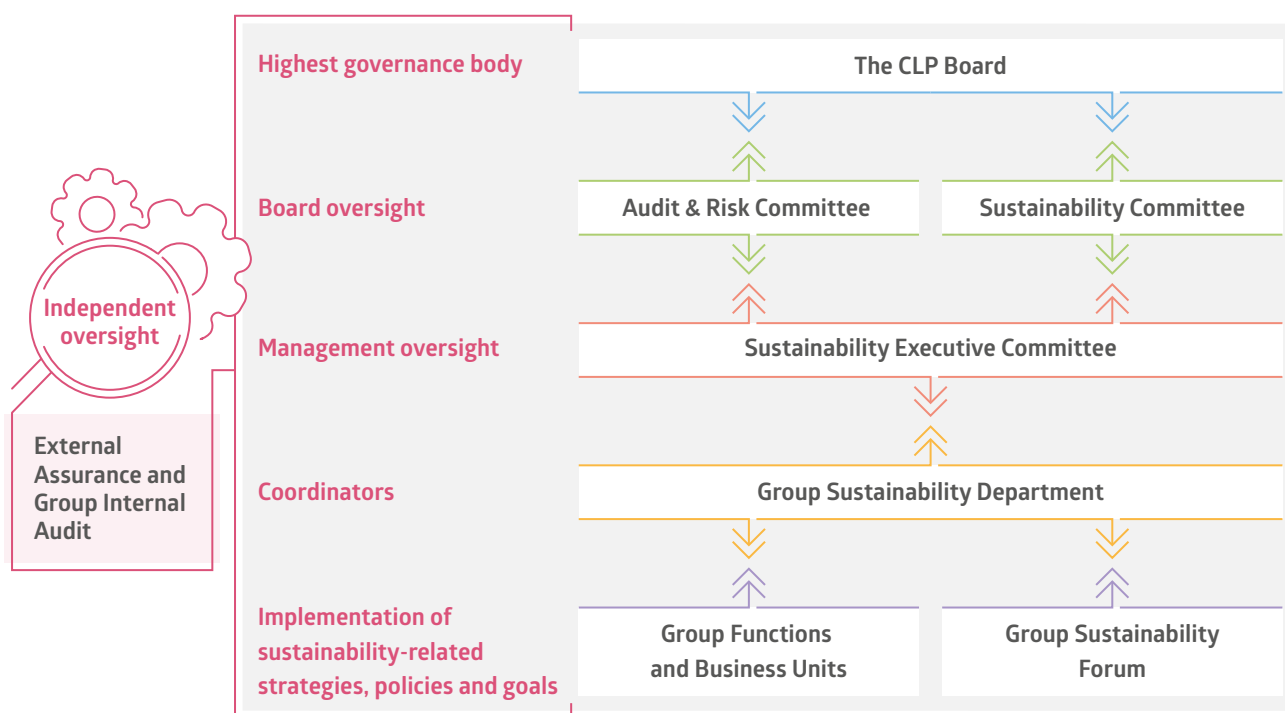
While CLP does issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities, we do not issue quarterly financial results for the following considered reasons:


- ◆ they do not bring significant benefits to our shareholders;
- ◆ they encourage a short-term view of the Company's business performance;
- ◆ CLP's activities do not run and need not be disclosed and judged on a three-month cycle; and
- ◆ preparation of quarterly reports is costly, including the opportunity cost of Board and management time spent on quarterly reporting.

## CLP's Approach to ESG Reporting


### Governance Structure

- ◆ Sustainability is well integrated into CLP's business strategy and the CLP Board has overall responsibility for CLP's ESG reporting and sustainability. The Directors' Report includes the "Board's Statement on ESG" which explains the governance of sustainability issues and how CLP approaches and manages our material ESG topics (page 189).
- ◆ The governance of sustainability is integrated into our corporate governance structure throughout the Group. Set out below is CLP's Sustainability Governance Structure.




- ◆ As a Board Committee, 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, meanwhile, ensures the assurance of the ESG data is appropriate.
- ◆ Further information about CLP's ESG management approach and how progress on ESG-related goals and targets are reviewed can be found in the earlier section "2021 At a Glance" of this Corporate Governance Report, the Risk Management Report, the Sustainability Committee Report and the Directors' Report of this Annual Report, as well as in the [Sustainability Report](#) and the Climate-related Disclosures Report published online at the same time as this Annual Report. 


### Reporting Principles & Boundaries

- ◆ **Materiality** – Since 2018, the approach of CLP's materiality assessments considers how megatrends could impact the success of its strategy in the medium- to long-term. In 2021, CLP has adopted a double materiality assessment to categorise financially material and impact material topics, which will be disclosed and discussed in the Annual Report and Sustainability Report respectively. Full details on the materiality assessment is provided in our online [Sustainability Report](#) and in "Board's Statement on ESG" in the Directors' Report. 
- ◆ **Quantitative and Consistency** – Our ESG disclosures follow these guidelines and recommendations: the suite of tools from the Value Reporting Foundation (VRF), namely the Integrated Thinking Principles, the Integrated Reporting Framework, and the SASB Standards for Electric Utilities & Power Generators; the Hong Kong Stock Exchange's ESG Reporting Guide (ESG Reporting Guide); and the Global Reporting Initiative Reporting Standards (GRI Standards). ESG KPIs are provided over a period of five years in the Five-year Summaries to facilitate comparison. In 2021, a separate Climate-related Disclosures Report is also produced which follows the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the International Sustainability Standards Board's Climate-related Disclosures Prototype.



- ◆ Boundaries – as our business needs evolve, scenarios may arise where our previously defined reporting scope was not able to fully capture the material impacts of our overall portfolio, and to better reflect these impacts, selected reporting scopes will be adjusted in different aspects and these are explained fully in our online [Sustainability Report](#). 


**ESG Information Disclosure in the 2021 Annual Report, [Sustainability Report](#) and [Climate-related Disclosures Report](#)** 

- ◆ Details on how we report on the ESG issues in accordance with the Hong Kong Stock Exchange ESG Reporting Guide “comply or explain” requirements and related Listing Rules are set out below.
- ◆ We regard materiality as fundamental to our ESG reporting. Our materiality assessment process enabled management to determine which ESG issues have an enterprise value impact (financial materiality) and accordingly these financially material topics will be discussed and reported in the Annual Report; these are for reporting purposes under the Hong Kong Stock Exchange ESG Reporting Guide. Further information is in the Sustainability as Our Business Strategy and Capitals chapters. For those ESG issues which impact on people, the environment and the economy (impact materiality), they will be reported in full details in the online [Sustainability Report](#), which is published at the same time and captures in detail our delivery of social and environmental value in a rapidly changing environment. Our approach to managing climate risks and capitalising on opportunities as part of CLP’s decarbonisation efforts are captured in detail in the Climate-related Disclosures Report. In addition, data related to financially material and impact material topics are set out in the Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data on pages 302 to 305 of the Annual Report. 
- ◆ The following is a list of key sustainability topics by reference to the aspects in the ESG Reporting Guide and discussions and data on these topics can be found in the following chapters of this Annual Report:

Environmental	
A1. Emissions (KPI A1.2 and KPI A1.5)	
<ul style="list-style-type: none"> <li>◆ A Snapshot of CLP in 2021 (page 4)</li> <li>◆ Chairman’s Statement (page 12)</li> <li>◆ CEO’s Strategic Review (page 16)</li> <li>◆ Business Performance and Outlook – Hong Kong (page 40)</li> <li>◆ Business Performance and Outlook – Mainland China (page 46)</li> <li>◆ Business Performance and Outlook – Australia (page 51)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Business Performance and Outlook – India (page 57)</li> <li>◆ Capitals – Financial Capital (page 67)</li> <li>◆ Capitals – Manufactured Capital (page 74)</li> <li>◆ Capitals – Intellectual Capital (page 77)</li> <li>◆ Capitals – Social and Relationship Capital (page 88)</li> <li>◆ Capitals – Natural Capital (page 92)</li> <li>◆ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)</li> </ul>
A2. Use of Resources (KPI A2.1 and KPI A2.3)	
<ul style="list-style-type: none"> <li>◆ A Snapshot of CLP in 2021 (page 4)</li> <li>◆ Capitals – Manufactured Capital (page 74)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Capitals – Natural Capital (page 92)</li> <li>◆ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)</li> </ul>
A4. Climate Change	
<ul style="list-style-type: none"> <li>◆ A Snapshot of CLP in 2021 (page 4)</li> <li>◆ Chairman’s Statement (page 12)</li> <li>◆ CEO’s Strategic Review (page 16)</li> <li>◆ Business Performance and Outlook – Hong Kong (page 40)</li> <li>◆ Business Performance and Outlook – Mainland China (page 46)</li> <li>◆ Business Performance and Outlook – Australia (page 51)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Business Performance and Outlook – India (page 57)</li> <li>◆ Capitals – Financial Capital (page 67)</li> <li>◆ Capitals – Manufactured Capital (page 74)</li> <li>◆ Capitals – Intellectual Capital (page 77)</li> <li>◆ Capitals – Social and Relationship Capital (page 88)</li> <li>◆ Capitals – Natural Capital (page 92)</li> <li>◆ Governance (page 96)</li> <li>◆ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)</li> </ul>



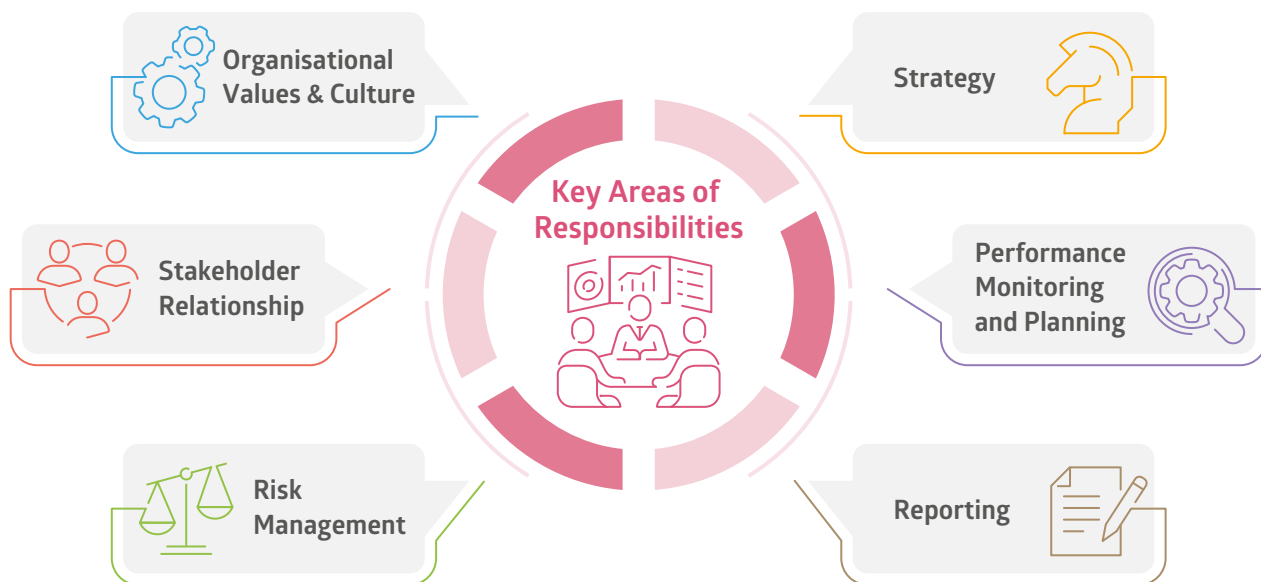
Social	
B1. Employment	
<ul style="list-style-type: none"> <li>◆ A Snapshot of CLP in 2021 (page 4)</li> <li>◆ Capitals – Human Capital (page 80)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)</li> </ul>
B2. Health and Safety	
<ul style="list-style-type: none"> <li>◆ A Snapshot of CLP in 2021 (page 4)</li> <li>◆ Chairman’s Statement (page 12)</li> <li>◆ CEO’s Strategic Review (page 16)</li> <li>◆ Business Performance and Outlook – Mainland China (page 46)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Business Performance and Outlook – Australia (page 51)</li> <li>◆ Business Performance and Outlook – India (page 57)</li> <li>◆ Capitals – Human Capital (page 80)</li> <li>◆ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)</li> </ul>
B3. Development and Training	
<ul style="list-style-type: none"> <li>◆ A Snapshot of CLP in 2021 (page 4)</li> <li>◆ Capitals – Human Capital (page 80)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)</li> </ul>
B5. Supply Chain Management (KPI B5.1)	
<ul style="list-style-type: none"> <li>◆ CEO’s Strategic Review (page 16)</li> <li>◆ Business Performance and Outlook – Hong Kong (page 40)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Capitals – Manufactured Capital (page 74)</li> </ul>
B6. Product Responsibility (KPI B6.3)	
<ul style="list-style-type: none"> <li>◆ A Snapshot of CLP in 2021 (page 4)</li> <li>◆ Business Performance and Outlook – Hong Kong (page 40)</li> <li>◆ Business Performance and Outlook – Mainland China (page 46)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Business Performance and Outlook – Australia (page 51)</li> <li>◆ Capitals – Manufactured Capital (page 74)</li> <li>◆ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)</li> </ul>

- ◆ In respect of the specific aspects of the ESG Reporting Guide set out below, CLP has not had any non-compliance with the relevant laws and regulations that would have a significant impact on CLP.
  - A1 **Emissions:** air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste;
  - B1 **Employment:** compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare;
  - B2 **Health and Safety:** providing a safe working environment and protecting employees from occupational hazards;
  - B4 **Labour Standards:** preventing child and forced labour;
  - B6 **Product Responsibility:** health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress; and
  - B7 **Anti-corruption:** bribery, extortion, fraud and money laundering.
- ◆ Those less material non-compliance cases and a recent charge against EnergyAustralia are covered in the Business Performance and Outlook and Capitals chapters.
- ◆ PwC have conducted limited assurance on selected ESG metrics as set out in the Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data on pages 302 to 305 of this Annual Report, in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board (IAASB). The [Sustainability Report](#) also includes an independent assurance report from PwC. 

## Our Board

### The Board's Roles and Responsibilities

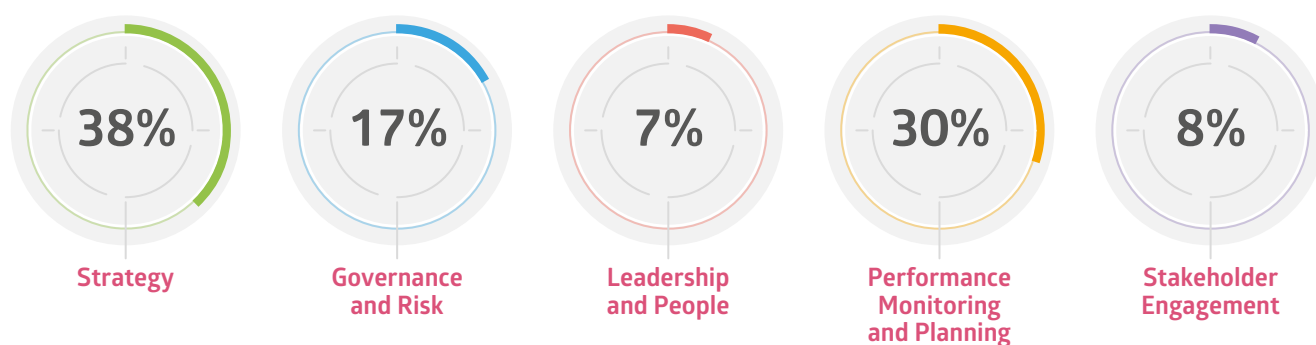
Our Board plays a critical role in ensuring that our corporate governance best serves the Company's interest in building a sustainable business. Under the leadership of our Chairman, the Board cultivates good governance as the cornerstone of our corporate culture.



Dual Role of Governance Oversight & Strategic Lead in Anticipating & Shaping the Future

### Board's Focus

The Board recognises that effective oversight and leadership over the affairs of the Company are critical to promoting the success of the Company. The following illustrates the Board's focus during the reported period (full-year 2021 and for 2022 up to the date of this Report) (the Period)\*:



\* We considered the number of agenda items, time spent on discussing the relevant items and the volume of supporting Board papers to determine the level of the Board's focus on these five categories.

## Strategy

### Strategy on decarbonisation and climate change

The Board spent a considerable amount of time in understanding and examining the Hong Kong Government's approach and plan on decarbonisation. The Board discussed the engagement plan with the Government regarding the development of a decarbonisation roadmap. The Board recognised the importance of the decarbonisation strategy for the Hong Kong business and undertook an in-depth review of the decarbonisation projects for Hong Kong.

A key initiative for CLP in 2021 was the publication of Climate Vision 2050 and the Board played an important role in assessing the decarbonisation targets set out in the Climate Vision 2050. Drawing from the review conducted by the Sustainability Committee, the Board considered the publication and the proposed decarbonisation targets from a number of perspectives, including the recent developments in the climate change policy landscape and the demands from investors.

### Group strategy and implementation

The Board received a series of briefings from management regarding the proposed plan for the Group on how we operate and organise ourselves for the purposes of delivering against our strategy. The Board provided insights and recommendations on a number of issues including the organisational plan and structure and the pace of implementation. The Board acknowledged that work on this area was continuing and remained actively engaged in the ongoing efforts for this topic.

## Governance and Risk

### Risk management and internal controls

With the COVID-19 situation and the impact on supply chain issues, the Board looked into the potential supply chain issues and risks concerning the Group's thermal generation portfolio. The Board considered the measures taken by the Group's operations in managing and mitigating the risks associated with the fuel supply for the Group's generation assets in the different markets.

### Audit & Risk Committee activities

The Board received the important overview from the Chairman of the Audit & Risk Committee on the Committee's review of financial statements and oversight of risk management and internal control systems ahead of management's presentation of the full-year and half-year financial statements.

## Leadership and People

### Organisation's capability and structure

In the course of considering and reviewing how the Group operate and organise ourselves against the Group's strategy, the Board considered and discussed the importance of the organisation's capability and structure in implementing the strategic initiatives.

### Chairman's session

The Chairman held an annual meeting with the Independent Non-executive Directors only, which provided an open agenda for the Independent Non-executive Directors to raise matters of interest to the Group with the Chairman.

### People

The Board closely monitored the transition of the following Senior Management members: the appointment of Mr Nicolas Tissot as the new CFO; the appointment of Mr Mark Collette as the Managing Director – EnergyAustralia; and the resignation of Mr David Smales as the Chief Operating Officer.

### Performance Monitoring and Planning

Results and dividends	<p>The Board approved the following: 2020 and 2021 Annual Reports; 2021 Interim Report; the quarterly statements; and the dividends for the financial years ended 31 December 2020 and 2021; as well as the Business Plan and Budget.</p> <p>In approving the Annual Reports and Interim Report, the Board also approved the financial statements and ensured that the statements give a true and fair view of the financial position of the Group.</p>
Regular updates	<p>The Board considered the matters covered in the CEO's Report where the CEO highlighted key issues on safety and business updates for each of the Group's markets. This enabled the Board to keep abreast of the material issues and developments of the CLP Group.</p> <p>In between Board meetings, the Directors received the CLP Group Management Report that provided updates on the Group's key financial information as well as reports on health, safety and environment.</p>

### Stakeholder Engagement

CLP Power engagement on decarbonisation	<p>The Board provided guidance on the proposed engagement efforts with the Hong Kong Government regarding the CLP's decarbonisation roadmap. The Board monitored this closely with a progressive update briefing by management. The Board was supportive of management's pro-active approach in engaging with the Government on Hong Kong's decarbonisation pathway.</p>
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#### *Attendance at our Board meetings and the interaction between Senior Management and our Directors*

The partnership between our Board and Senior Management is highly transparent and collaborative. In addition to our CEO who is an Executive Director, our Board meetings are typically attended by the following members of our Senior Management:


- ◆ Chief Financial Officer – Mr Nicolas Tissot who was appointed in April 2021 following the change of role of Mr Geert Peeters;
- ◆ Group Director & Vice Chairman – CLP Power Hong Kong – Mrs Betty Yuen;
- ◆ Managing Director – CLP Power Hong Kong – Mr Chiang Tung Keung;
- ◆ Managing Director – China – Mr Chan Siu Hung;
- ◆ Managing Director – EnergyAustralia – Mr Mark Collette who was appointed in July 2021 following the retirement of Ms Catherine Tanna and at times, Mr Alastair McKeown, Chief Financial Officer – EnergyAustralia;
- ◆ Managing Director – India – Mr Rajiv Mishra;
- ◆ Chief Operating Officer – Mr David Smales (until his resignation in December 2021);
- ◆ Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- ◆ Chief Human Resources Officer – Ms Eileen Burnett-Kant.

To complement the Board's responsibilities and focus, the Board's work is well supported by the Board Committees; see "Board Committees" on page 119.

## Board and Board Committee meetings held during the Period

2021												2022		
Board														
	B			B	I			B		B		I		B
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
A	A	F	A		A	A	F	F	H	A	N	A	A	
	F				P	F		S		F	P		F	
	H					H				H			H	
	S					S				S			S	
Board Committees														
Board														
B	Board			I	Chairman and Independent Non-executive Directors only			I	AGM					
Board Committees														
A	Audit & Risk Committee			F	Finance & General Committee			H	Human Resources & Remuneration Committee					
N	Nomination Committee			P	Provident & Retirement Fund Committee			S	Sustainability Committee					

## Board Committees

The Board delegates some of its responsibilities, with appropriate oversight, to the respective Board Committees and the delegated Listing Rules Code Provisions corporate governance duties\* are highlighted below. [Terms of reference and membership of all Board Committees](#) are disclosed in full on the websites of CLP and the Hong Kong Stock Exchange. 

<b>Audit &amp; Risk Committee</b> (see full report on page 152)	◆ Corporate governance, compliance and code of conduct*
<b>Sustainability Committee</b> (see full report on page 160)	◆ Governance of ESG issues*
<b>Nomination Committee</b> (see full report on page 166)	◆ Governance of Board-level matters and professional development of Directors*
<b>Human Resources &amp; Remuneration Committee</b> (see full report on page 170)	◆ Professional development of management*
<b>Finance &amp; General Committee</b>	◆ See page 120 for responsibilities and work done during the Period
<b>Provident &amp; Retirement Fund Committee</b>	◆ See page 120 for responsibilities and work done during the Period

### Membership of Finance & General Committee

Mr William Mocatta (Chairman), Sir Rod Eddington, Mr Nicholas C. Allen, Ms May Siew Boi Tan, Mr Andrew Brandler, Ms Christina Gaw, Mr Chunyuan Gu, Mr Richard Lancaster and Mrs Betty Yuen.

#### Responsibilities and Work Done

This Committee reviews the financial operations of the Company which include Group-wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets and business performance. The Committee also reviews major acquisitions or investments and their funding requirements. In addition, the Committee reviews the implementation of the Company's strategy approved by the Board and the performance and business environment of the Company; and the Committee will also identify any matters that should be referred to the Board for review and further consideration.

The work performed by the Committee during the Period included the review and consideration of the following matters:

- ◆ the Company's interim and annual results and the dividends payable to shareholders for the financial years ended 31 December 2020 and 2021;
- ◆ the CLP Group Business Plan and Budget 2022-2026 including the dividends profile for those years;
- ◆ the capital expenditure and 2022 tariff strategy for the Hong Kong business;
- ◆ potential investment in specific projects in China, Australia and India;
- ◆ the progress update on innovation projects;
- ◆ the CLP Head Office project;
- ◆ the CLP Group funding requirements, financing initiatives and cost of capital study; and
- ◆ CLP's foreign exchange translation risk and counterparty exposures.

The nature of the work of the Committee includes the consideration of transactional items which may arise from time to time and require the review and approval by the Committee via circulation of papers on a time sensitive basis.

### Membership of Provident & Retirement Fund Committee

Mr William Mocatta (Chairman), Mr Nicolas Tissot and a Trustee.

#### Responsibilities and Work Done

This Committee advises the Trustee on investment policy and objectives for the Group's retirement funds, namely the CLP Group Provident Fund Scheme and CLP Group Top-Up Scheme.

During the Period, the Committee monitored the performance of the overall portfolio, the investment managers and operational efficiency. Education and communication are arranged for schemes members for better retirement planning.

## Changes to Board Committees' Composition

Mr Nicolas Tissot, then Deputy Chief Financial Officer, succeeded Mr Geert Peeters as Chief Financial Officer with effect from 1 April 2021. Mr Geert Peeters stepped down as an Executive Director of the Company with effect from 31 July 2021. Accordingly, the composition of Board Committees was changed in the manner set out below during the Period:

- ◆ Mr Nicolas Tissot was appointed as a Member of the Provident & Retirement Fund Committee in place of Mr Geert Peeters with effect from 1 April 2021; and
- ◆ Mr Geert Peeters ceased to be a Member of the Finance & General Committee with effect from 31 July 2021.

## Directors' Attendance and Development

Our Directors attend to the affairs of the Group through their participation at the AGM, Board and Board Committee meetings, and perusal of Board papers.

In 2021, six Board meetings were held and the overall attendance rate of Directors at Board meetings was 94.67% (2020: 97.56%). Details of Directors' attendance at the AGM, Board and Board Committee meetings (**attended** / held) and development programme in the year 2021 are set out in the following table.

	Board <sup>1</sup>	Audit & Risk Committee <sup>2</sup>	Finance & General Committee	Human Resources & Remuneration Committee	Nomination Committee	Sustainability Committee	Provident & Retirement Fund Committee	AGM <sup>2,3</sup>	Directors Development Programme*
<b>Non-executive Directors</b>									
The Hon Sir Michael David Kadoorie <sup>4</sup>	5/6 <sup>(C)</sup>				1/1			-	A
Mr William Mocatta	5/5 <sup>(VC)</sup>		6/6 <sup>(C)</sup>	4/4			2/2 <sup>(C)</sup>	✓	A, B
Mr J. A. H. Leigh	5/5							✓	A, B, C
Mr Andrew Brandler	5/5		3/6			3/4		✓	A
Mr Philip Kadoorie	5/5					1/4		✓	A, B
<b>Independent Non-executive Directors</b>									
Sir Rod Eddington	6/6		5/6					✓	A, B
Mr Nicholas C. Allen	6/6	6/6 <sup>(C)</sup>	6/6	4/4 <sup>(C)</sup>	1/1 <sup>(C)</sup>	4/4		✓	A, C
Mrs Fanny Law	6/6	6/6		4/4		4/4		✓	A
Mrs Zia Mody <sup>5</sup>	4/6			3/4				-	A
Ms May Siew Boi Tan	6/6	6/6	6/6	4/4	1/1	4/4		✓	A, C
Ms Christina Gaw	6/6		6/6			4/4		✓	A
Mr Chunyuan Gu	6/6	6/6	6/6					✓	A
<b>Executive Directors</b>									
Mr Richard Lancaster	5/5		6/6			4/4 <sup>(C)</sup>		✓	A, B
Mr Geert Peeters <sup>6</sup>	1/2		2/3				N/A	-	N/A



### Notes:

- 1 Included an annual meeting where the Chairman met with the Independent Non-executive Directors only.
- 2 Representatives of the independent auditor participated in every Audit & Risk Committee meeting and the AGM.
- 3 Independent Non-executive Directors were available to take shareholders' questions specifically addressed to them during the AGM (of which there were none).
- 4 The Hon Sir Michael David Kadoorie was unable to attend the 2021 AGM due to family reasons.
- 5 Mrs Zia Mody was unable to attend the 2021 AGM due to other commitments.
- 6 Mr Geert Peeters resigned as a Member of the Provident & Retirement Fund Committee with effect from 1 April 2021. He then stepped down as an Executive Director of the Company and ceased to be a Member of the Finance & General Committee with effect from 31 July 2021. He was unable to attend the 2021 AGM due to health reasons.
- 7 Chairmen of the Board and Board Committees and the Vice Chairman of the Board are indicated by (C) and (VC) respectively.

### \* Directors Development Programme

All Directors participate, at the Company's expense, in continuous professional development and training, with appropriate emphasis to develop and refresh their knowledge on industry-related updates. Our Directors Development Programme includes:

- A – reading regulatory and industry-related updates, with the focus in 2021 on the Corporate Governance Guide for Boards and Directors issued by the Hong Kong Stock Exchange;
- B – meeting with local management and stakeholders, and visiting CLP's facilities and special projects with CLP's involvement; and
- C – attending expert briefings / seminars / conferences relevant to the business or director's duties. In addition, they have access to Chatham House (a leading independent policy institute based in London) publications and the opportunity to attend Chatham House events on topics relevant to our business.

### Onboarding for new Directors

The Company has in place a set of Onboarding Guidelines with the key objective of assisting new Directors in their understanding of CLP's business, governance and Board and Committee dynamics. This sets out a structured onboarding process that would serve as a roadmap for new Directors to gain a better understanding of CLP and our business environment.

Our Onboarding Programme for the newly appointed Directors is individually designed with the specific Director in mind having regard to the Director's unique background, skills, experience and perspective. No new Director was appointed in 2021.

## Directors' Time and Directorship Commitments

Our Directors, Non-executive Directors in particular, have demonstrated a strong commitment to the CLP Board affairs and they are well aware that they are expected to have a sufficient time commitment to the Board. Directors have given certain confirmations and made disclosures about their other commitments.

### ◆ Sufficient time and attention

- ◆ Directors have confirmed that they have given sufficient time and attention to the affairs of the Company for the year.


### ◆ Other offices and commitments

- ◆ Directors disclose to the Company twice a year the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments, together with an indication of the time involved.

### ◆ Other directorships

- ◆ None of our Directors, individually, held directorships in more than six public companies (including the Company) as at 31 December 2021.

Our Executive Director does not hold directorship in other public companies; however, he is encouraged to participate in professional, public and community organisations.

In respect of those Directors who stand for re-election at the 2022 AGM, all their directorships and board committee membership held in listed public companies in the past three years are set out in the Notice of AGM. [Other details of the Directors' biographies](#) are set out under Board of Directors on page 98 of this Annual Report and on CLP website. 

## Board Evaluation

We undertook an external Board review in 2019. Since then, we have taken a progressive approach in implementing the recommendations from such review.

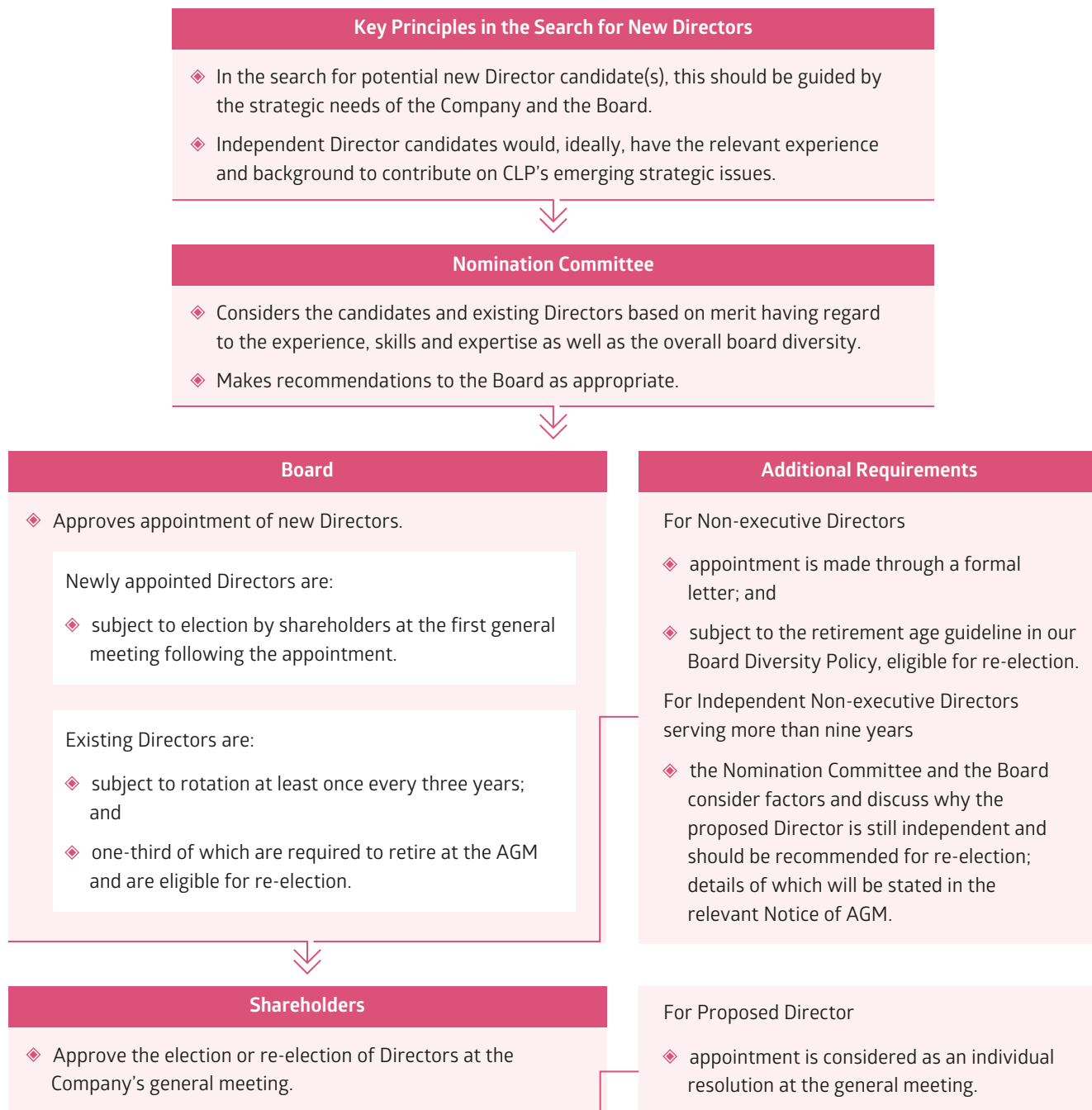
In 2021, an internal Board review was conducted in the form of a Board survey; it aimed at soliciting valuable feedback and comments from Directors in preparation for the next external Board evaluation. The process involved each Director completing a confidential online questionnaire covering a broad range of topics including Board composition and dynamics, Board meeting cycle and Board materials, Board's focus and strategic oversight of the Company including CLP's Strategy Review and digitalisation journey.

### Nomination and Appointment of Directors

For the appointment of new Directors, CLP follows a formal and transparent procedure and is guided by CLP's Nomination Policy, which is disclosed in the Nomination Committee Report on page 166.

#### CLP's process for appointing a Director

No new appointment of Director was made during the year. The diagram below presents the approach used by CLP to appoint our Directors.



## Why Board Diversity is Important to CLP

We recognise that Board diversity is an essential element contributing to the sustainable development of CLP.

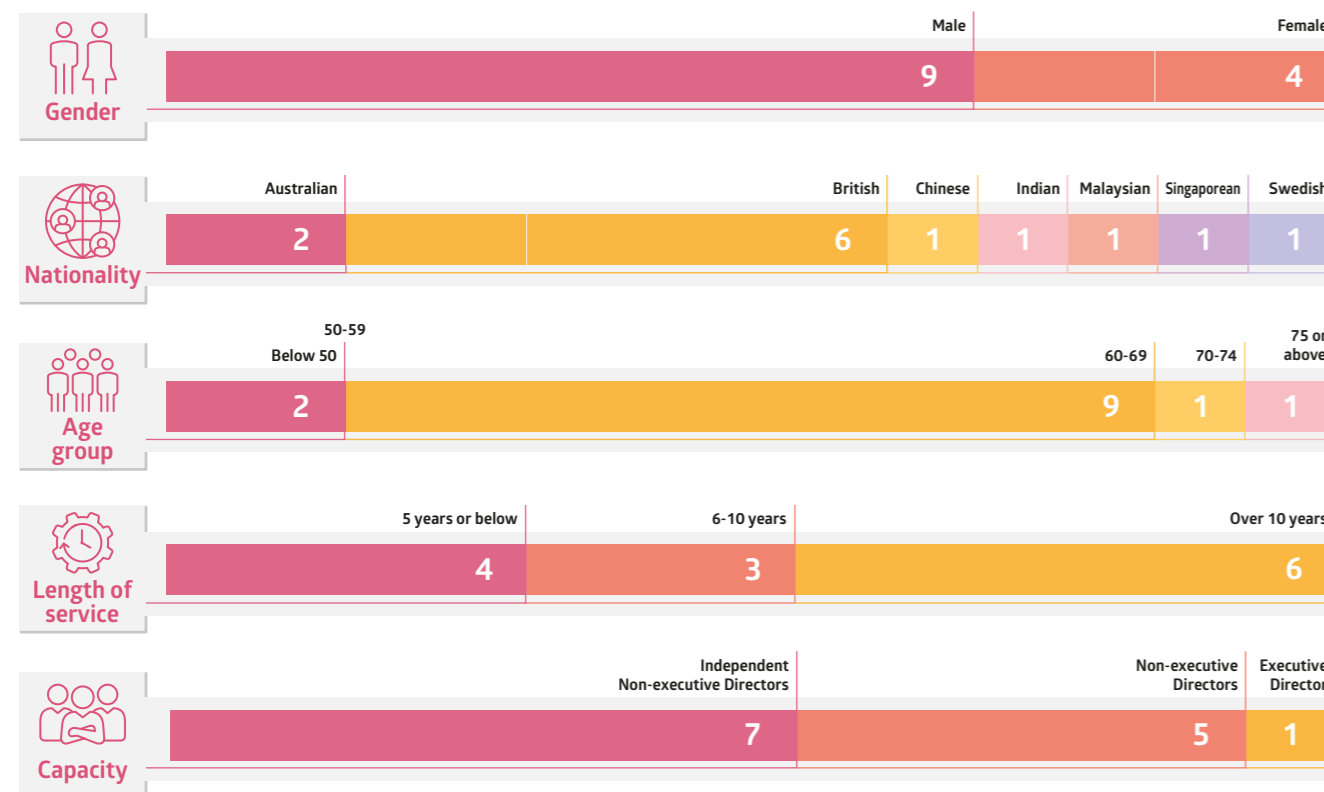
The CLP Board Diversity Policy was adopted by the Board in 2013. It incorporates the Code Provisions of the Corporate Governance Code, the retirement age guideline (at the age of 72) for our Non-executive Directors (other than the Chairman) and the CLP Group Diversity and Inclusion Policy for Senior Management and Staff. The policy was recently revised in February 2022 to highlight CLP's view on independence and the approach to receiving independent views and input from Directors.

In addition to independence and gender, our concept of diversity incorporates a number of other aspects including but not limited to age, cultural and educational background, professional experience, business perspectives, skills, knowledge, ethnicity and length of service.

Our Board Diversity Policy also recognises that board diversity can be achieved without increasing the size of the Board and that a reduction in board size due to retirements without replacement can also be a way to further diversity. In 2021, our Board size slightly reduced from 14 to 13 due to the retirement of a former Executive Director.

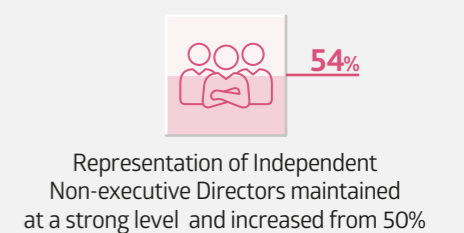
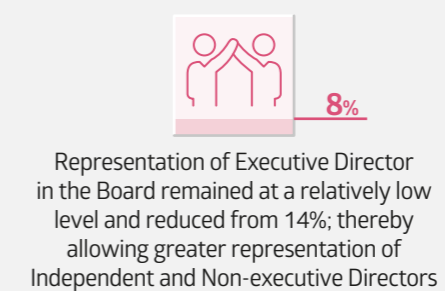
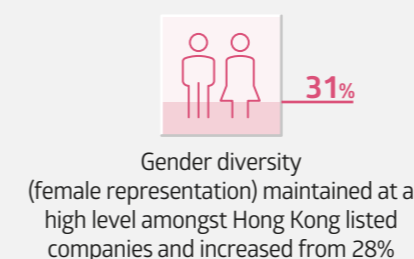
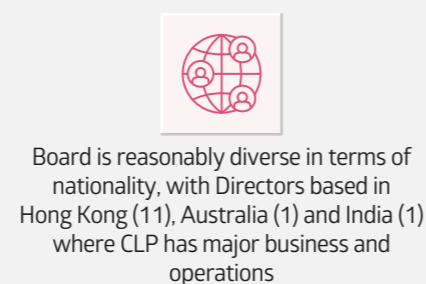
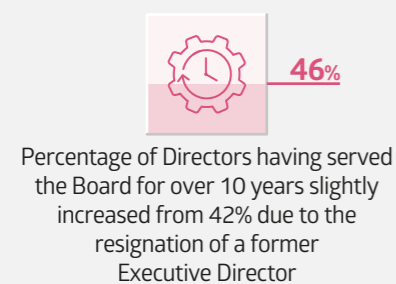
The [CLP Board Diversity Policy](#) is available on the CLP website. 

## Board Composition & Diversity



## Assessment Results of Diversity

The Board is characterised by its strong independence and diversity.



## Board Expertise

To ensure the Board continues to possess a balance of skills appropriate for the requirements of the business of the Group, an analysis of the skill set mix was considered by the Nomination Committee.

The table below highlights the breakdown of the skill set mix of our Directors and demonstrates the broad and diverse mix of experience and background relevant to CLP that the Directors bring to the Board and its Committees.

Expertise	Relevance to CLP	No. of Directors (Full Board of 13)
<b>Board / board committees leadership</b>	Board and governance leadership experience are regarded as a strategic asset to the Board and Board Committees	7
<b>CLP market experience</b> (Hong Kong / Mainland China (including Greater Bay Area) / Australia / India / SEA & Taiwan)	Facilitates the review of CLP's business and financial operations and investments in the respective region	13
<b>Company executive</b>	Provides insights into executive leadership and the management of CLP's business and operations	7
<b>Global market experience</b>	Provides insights into the global economic trends and opportunities that CLP can explore	13
<b>Other industries</b>	Brings in other expertise applicable across different industries	12
<b>Other listed board roles</b>	Brings in good practices as a board and / or board committee member of listed companies	11
<b>Public administration</b>	Brings in experience in the areas of regulatory and stakeholder engagement	1
<b>Related industry experience</b> (Infrastructure / Power / Property / Retail)	Facilitates the review of CLP's business operations and investment opportunities in the related industries	13
<b>Risk &amp; compliance</b>	Risk and compliance as key governance responsibilities of the Board	9
<b>Technology</b>	Provides insights into the technological developments and the governance of cyber risks	4
<b>Professional</b>		9
◆ <b>Accounting</b>	Brings in oversight, advisory and operational experience in the respective field of profession	4
◆ <b>Engineering</b>		3
◆ <b>Legal</b>		2

Note: Multiple professional background and experience may apply to a Director.

## Disclosure of Conflict of Interest and Independence of Directors

### *Conflicts*

Directors are requested to declare their and their connected entities' direct or indirect interests, if any, in proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate. In 2021, none of the Directors were required to withdraw from meeting in these circumstances.

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

In addition, identified significant related party transactions are disclosed in Note 32 to the Financial Statements.

### *Independence*

As required under the Listing Rules, the Company received written confirmations from all of the Independent Non-executive Directors regarding the independence of each of them and their immediate family members.

Among the Independent Non-executive Directors of the Company, Mr Nicholas C. Allen has held cross-directorship with Ms May Tan by serving on the boards of the Company and Link Asset Management Ltd (Link REIT). Ms May Tan stepped off the board and board committees of Link REIT on 31 January 2022.

Given that each of Mr Nicholas C. Allen and Ms May Tan plays a non-executive role and holds less than 1% of the issued shares in each of the relevant companies, the Company considers that such cross-directorship would not undermine their independence with respect to their directorships at CLP Holdings.


### *Our view on independence*

The Company maintains the view that a Director's independence is a question of fact and this is formally recognised in the Board Diversity Policy. The Board is committed to assessing this on an ongoing basis with regard to all relevant factors concerned, including the ability to continually provide constructive challenge for management and other Directors and to express one's own views independent of management or other fellow Directors and the gravitas inside and outside the boardroom context. These attributes and desired behaviour have been demonstrated by our Independent Non-executive Directors as circumstances require.

### *Mechanisms for ensuring independent views and input*

The Company has established channels through formal and informal means whereby Independent Non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require; these include periodic Board surveys and Board reviews, dedicated meeting sessions with the Chairman and interaction with management and other Board Members including the Chairman outside the boardroom.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Non-executive Directors to be independent.

[Details of all Directors and their biographies](#) including, if any, relationship between the members are disclosed on pages 98 to 103 and on our website. 

### *Directors' Shareholding Interests*

Directors' interests in CLP's securities as at 31 December 2021 are disclosed in the Directors' Report on page 188. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2021 they have complied with the required standard set out in the Model Code and our own Code for Securities Transactions. CLP's own Code for Securities Transactions is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code.

## Management and Staff

### Culture and Values – “do the Right Thing”

CLP recognises the importance of diversity not just at the Board level but throughout the CLP Group. Our respect for people and diversity are embedded in CLP’s Value Framework and our Board Diversity Policy has also incorporated the CLP Group Diversity and Inclusion Policy for Senior Management and Staff. The Value Framework was updated in 2020 and a number of labour-related commitments have been reinforced in the updated Value Framework.

One of the key tasks of CLP’s management and staff is the successful implementation of strategy and direction as determined by the Board under the leadership of our Chairman. This includes promoting and “living” the good corporate culture set by our Board over the years. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board, CLP’s shareholders and other stakeholders, and these have been documented in our Code of Conduct.

A key fundamental feature of CLP’s corporate governance is a culture of “doing the Right Thing”, this “tone” is set at the top of the organisation at the Board level and is embedded throughout our Value Framework, Code of Conduct, CLP Code, and the Whistleblowing Policy.

### Ongoing Monitoring and Training

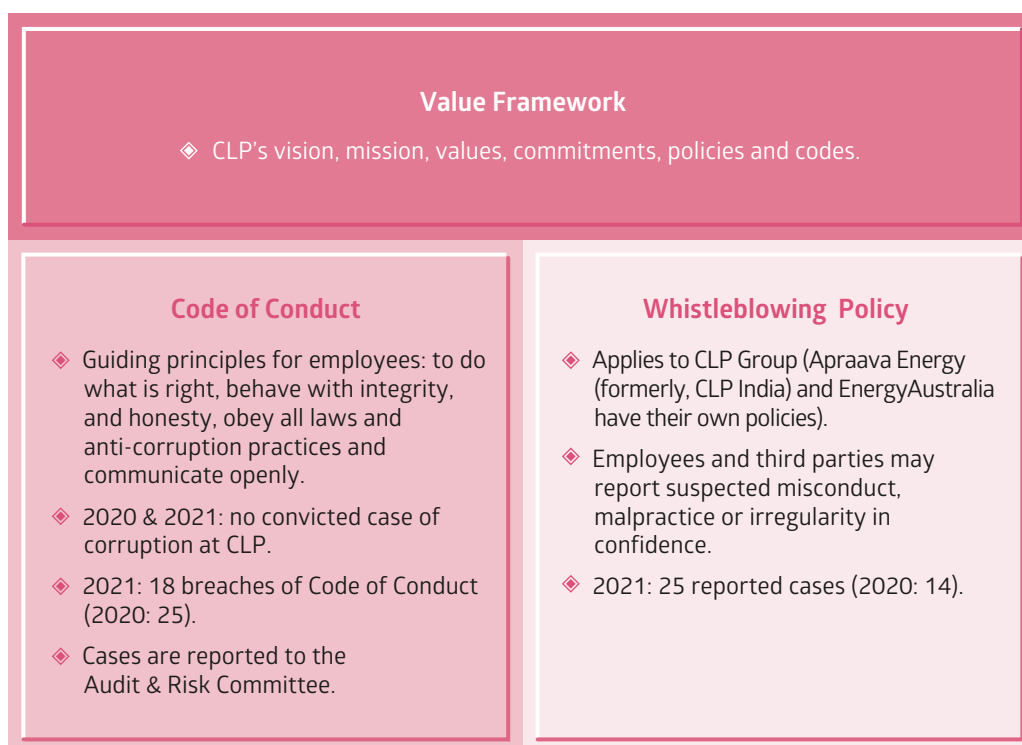
To demonstrate CLP’s commitment to high ethical and integrity standards and to foster the culture of making conscious decisions in doing the right thing as a company, we conducted a Group-wide Business Practice Review in 2021 (other than EnergyAustralia who will undertake this in 2022). This is a mandatory training programme for all staff, through live discussion in the training workshops, not only to refresh their understanding of the key principles in Code of Conduct and other major Group policies, but also to facilitate better application of these principles in their daily work. More than 290 sessions were held which covered approximately 6,300 employees and 1,000 contractors.

In view of the pandemic situation where organisations could potentially be more vulnerable to the heightened risk of fraud, we rolled out a mandatory Fraud Risk Awareness e-training to all CLP staff in 2020, which has now been extended to all new joiners, and has become part of the mandatory induction training programme starting in 2021. The e-training focused on the importance of identifying different forms of potential fraud, and on how CLP staff can prevent, detect, respond to, and report cases of fraud. It is also available in CLP intranet for staff to revisit anytime as they see appropriate.

## Role of Management and Staff in Promoting Good Corporate Governance Practices

Our CEO has the overall responsibility for carrying out the strategy and direction set by the Board and for managing the Group's business. The delegation of authority by the Board to the Committees, Senior Management and management are prescribed in the form of a "Company Management Authority Manual".

Management and staff adhere to various Group policies that reflect the values and corporate culture of CLP.



Our Management and Staff are subject to CLP Securities Dealing Restrictions.

- ◆ We appreciate that some of our staff may in their day-to-day work have access to potential inside information.
- ◆ Our Senior Management and selected members of staff, "Specified Individuals", are subject to securities dealing restrictions in our CLP Code for Securities Transactions.
- ◆ Securities Transactions: All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2021 they have complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.
- ◆ Shareholding in CLP shares: Save for the interest disclosed by the CEO in the Directors' Report on page 204 and the interest in 600 shares disclosed by the Managing Director – China, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 31 December 2021.



### Senior Management Training and Development

We have a formal procedure in place for reporting the training and continuous professional development of Senior Management. Members of Senior Management have access to a variety of training activities. These include access to online learning and information resources, formal executive development programmes at leading business schools and executive briefings on matters of topical interest provided through our strategic partnerships with organisations such as Chatham House, IMD and LUX Research. We also make selective use of independent executive assessment and coaching processes to assist with identifying individual development needs and provide input to our succession planning decisions.

Participation in Training and Continuous Professional Development of Senior Management in 2021				
Senior Management	Attending formal executive development / training programme	Attending expert briefings / seminars / workshops / conferences relevant to the business or their duties	Participating as speakers at events	Access to web-based learning resources
Mr Richard Lancaster	■	■	■	■
Mr Nicolas Tissot <sup>1</sup>	■	■		■
Mr David Simmonds <sup>2</sup>	■	■	■	■
Ms Quince Chong	■	■	■	■
Ms Eileen Burnett-Kant	■	■	■	■
Mrs Betty Yuen	■	■		■
Mr Chiang Tung Keung	■	■	■	■
Mr Chan Siu Hung	■	■	■	■
Mr Mark Collette <sup>3</sup>	■	■	■	■
Mr Rajiv Mishra		■	■	■

Notes:

- 1 Mr Nicolas Tissot joined the Company on 7 September 2020 and has become a member of Senior Management with effect from 1 April 2021.
- 2 During 2021, Mr David Simmonds, the Company Secretary, served as the Vice-President, the Chairman of the Membership Committee and the Company Secretaries Panel, he also led the Competition Law Interest Group and was a member of the Investment Strategy Task Force of the Hong Kong Chartered Governance Institute. He was also a frequent speaker at seminars and has fulfilled the relevant professional training requirements under the Listing Rules.
- 3 Mr Mark Collette was appointed as Managing Director – EnergyAustralia with effect from 1 July 2021 following Ms Catherine Tanna's retirement.

## Shareholders Engagement

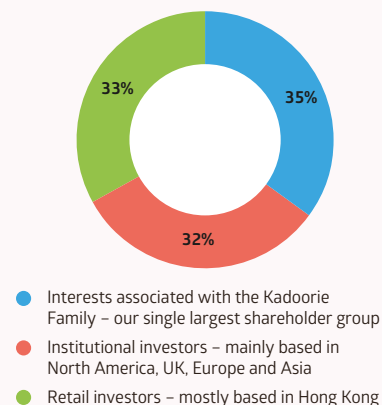
### Shareholding as at 31 December 2021

Size of Registered Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,513	13.40	776,843	0.03
501 – 1,000	3,512	18.73	2,820,998	0.11
1,001 – 10,000	8,602	45.87	36,484,436	1.44
10,001 – 100,000	3,657	19.50	105,012,018	4.16
100,001 – 500,000	387	2.07	78,045,629	3.09
Above 500,000	81 <sup>1</sup>	0.43	2,303,310,646	91.17
<b>Total</b>	<b>18,752<sup>2</sup></b>	<b>100.00</b>	<b>2,526,450,570<sup>3</sup></b>	<b>100.00</b>

Notes:

- Information on the [10 largest registered shareholders](#) in the Company is set out on our website. 
- Actual number of investors is much greater as many shares are held through intermediaries including Central Clearing and Settlement System of Hong Kong (CCASS).
- 55.11% of all our issued shares were held through CCASS.
- The Listing Rules required 25% public float was maintained throughout the year and up to 28 February 2022.


### Shareholding by Category<sup>4</sup>




The scale of our shareholders' investment is reflected in the market capitalisation of CLP Holdings which stood at HK\$199 billion as at 31 December 2021.

## Shareholders' Rights

Shareholders are one of our key stakeholders and from a corporate governance perspective, the rights of our shareholders are well recognised and these include:

- ◆ The right to receive declared dividends and to vote and attend general meetings.
- ◆ The [right to convene general meetings and to put forward proposals](#) – details of which can be found in our explanatory notes to the Notice of AGM and on our website or on request. 

### CLP's Dividends Policy

We create long-term value to our shareholders through dividend payments. CLP's Dividends Policy, adopted by the Board in February 2019, aims to provide reliable and consistent ordinary dividends with steady growth when supported by our earnings whilst ensuring that a solid financial position can be maintained to fund our business growth. In line with our established practice, our ordinary dividends are paid four times a year in each of the quarters. [CLP's Dividends Policy](#) is available on the CLP website. 

The Company's performance- and dividend-related dates for 2022 are set out in Information for Our Investors on page 316.

## 2021 Hybrid AGM

In accordance with the Hong Kong Government's social distancing laws and regulations concerning shareholders' meeting of a listed company under COVID-19, the 2021 AGM was held in a hybrid format on 14 May 2021 with physical location at the Grand Ballroom, Level 2, Kerry Hotel, Hong Kong, 38 Hung Luen Road, Hung Hom Bay, Kowloon, Hong Kong, and online.


Our Vice Chairman, CEO and Company Secretary played host, and the representatives of the independent auditor attended the physical meeting. Our Chairman, The Hon Sir Michael David Kadoorie was unable to attend the AGM due to family reasons and, Mr Philip Kadoorie, who attended the meeting at the AGM venue, read out a personal message from Chairman to the shareholders. Our CFO (then Deputy CFO) and other Directors attended the meeting online at an off-site venue.

The opportunity for shareholders to attend the AGM online and to send their questions in advance of the AGM as well as in real-time through the online platform allowed shareholders to express their views amid special circumstances.

### *Highlights of the 2021 Hybrid AGM*



- ◆ Improvement measures: both registered and non-registered shareholders could participate in the online AGM to view, submit questions and cast votes in near real-time through the online platform. To ensure the online AGM was conducted effectively, a chat response function was available on the online platform to address procedural questions from shareholders.
- ◆ We placed a limit of 50 shareholders who could attend in person at the physical location and their attendance required confirmation through prior online registration, and a balloting process, as needed.
- ◆ An attendance of over 200 shareholders participated in person or online.
- ◆ A high level of votes approving the following major items:
  - ◆ The election and re-election of Directors ranging from over 94% to over 99%.
  - ◆ The adoption of the new Articles of Association (over 99%)  
(Amendments to the Articles of Association were made to incorporate provisions to improve the arrangements for convening and managing hybrid general meetings and to improve efficiencies for general meetings and the timeliness of the distribution of information to shareholders.)
  - ◆ The general mandate to issue new shares of up to 5% of shares in issue only, at a price not being at a discount of more than 10% to a benchmarked price (about 99%) and to repurchase shares of not more than 10% shares in issue (over 99%).
- ◆ Through the online platform, shareholders posed various questions and all of these were addressed at the meeting.

## Communication with Shareholders

At CLP, the importance of an effective dialogue with shareholders and investors has been recognised with the implementation by the Board of a [Shareholders' Communication Policy](#), which is published on our website. This Policy forms the basis for extensive and ongoing engagement with our shareholders and the investment community. 

### Multiple channels of communication and engagement

Our approach to shareholders communication and engagement include:

Channels	2021 Highlights
<b>Hybrid AGM</b>	<ul style="list-style-type: none"> <li>◆ Chairman keynote speech</li> <li>◆ Shareholders are able to <b>attend and vote in person or online</b></li> <li>◆ <b>High voting approval rate</b> on resolutions considered</li> </ul>
<b>Investor Meetings</b> (Led by CEO, CFO and Investor Relations Department)	<ul style="list-style-type: none"> <li>◆ Over <b>100 investor meetings</b> mostly conducted online</li> <li>◆ <b>Non-deal roadshows</b> with investors from Asia, UK, North America and Australia</li> </ul>
<b>Analyst Briefings</b> (Led by CEO, CFO and Director – Investor Relations and attended by investment community)	<ul style="list-style-type: none"> <li>◆ Covering the Company's <b>interim and annual results</b></li> </ul>
<b>Reports and Announcements</b>	<ul style="list-style-type: none"> <li>◆ Annual Reports, Interim Reports and online <a href="#">Sustainability Reports</a> </li> <li>◆ Quarterly statements</li> <li>◆ Key announcements made: Settlement of litigation for EnergyAustralia; advanced retirement for Yallourn; and CLP Power Hong Kong additional capital expenditure</li> </ul>
<b>CLP Group Website</b> 	<ul style="list-style-type: none"> <li>◆ CLP's approach on corporate governance and sustainability</li> <li>◆ Policies and codes</li> <li>◆ Information on AGM including e-Voting demonstration video, meeting proceedings and minutes</li> <li>◆ Updates of recent financial information and latest investor information</li> <li>◆ Analyst briefings materials</li> <li>◆ Publications and media releases</li> </ul>
<b>CLP Group Investor Relations app</b>	<ul style="list-style-type: none"> <li>◆ Launched in January 2021, the CLP IR app allows users to access the latest news from CLP including our announcements, media releases and financial reports</li> <li>◆ Users can also access convenient features such as <b>event calendar</b> and <b>share price data</b></li> </ul>

Shareholders' Visits Programme with tours hosted by representatives of the CLP management was one of the key shareholders engagement initiatives before the COVID-19 pandemic. We continue to receive strong interest from shareholders and will explore the new initiatives and suitable way to resume the programme while safeguarding the safety and health of our shareholders.

These channels allow us to receive feedback from our shareholders and investment community. In addition, we have the shareholders' hotline as well as dedicated investor relations and company secretary email accounts for taking enquiries and for receiving information requests from shareholders (see Information for Our Investors on page 316).

### Reviewing and enhancing shareholders communication

The Audit & Risk Committee is responsible for regularly reviewing the effectiveness of the Shareholders' Communication Policy. The most recent review was undertaken in November 2021 and the effectiveness of the Policy was confirmed. With the continuing COVID-19 situation, the manner of engagement with our shareholders will be monitored closely.

### Group Internal Audit

CLP's Group Internal Audit (GIA) department plays a major role in monitoring the internal governance of the CLP Group. The head of the department, Senior Director – GIA, leads a well-resourced department of 26 highly qualified professional staff.

The Senior Director – GIA is a member of the Group Executive Committee, who reports directly to the Audit & Risk Committee and the CEO and has direct access to the Board through the Chairman of the Audit & Risk Committee. The Senior Director – GIA has the right to consult the Audit & Risk Committee without reference to management.

### Independent Auditor

The Group engages PwC (Certified Public Accountants and Registered Public Interest Entity (PIE) Auditor) as our external independent auditor and we regard their independence as a fundamental governance principle.

How the Group ensures the independence of the external auditor:

- ◆ The lead audit partner of PwC is subject to rotation every seven years (as per The International Federation of Accountants rules on independence of external auditors).
- ◆ The lead audit partner, after having served the Company's statutory audits in that capacity for seven years since the 2014 financial year-end audit, has retired and was replaced by a new lead audit partner, Ms Yee Shia Yuen, who did not have any prior involvement in the CLP Group audit.
- ◆ PwC is required to give an annual confirmation on their independence.
- ◆ The Audit & Risk Committee will assess PwC's independence in considering their re-appointment.

In addition, PwC will not be engaged to perform non-audit work unless the non-audit work meets the criteria suggested in the Listing Rules and has been pre-approved by the Audit & Risk Committee or its delegates. There must be clear efficiencies and value-added benefits to CLP from the work being undertaken by PwC, with no adverse effect on the independence of their audit work, or the perception of such independence.

During the year, PwC provided the following audit and permissible audit related and non-audit services to the Group:


	2021 HK\$M	2020 HK\$M
<b>Audit</b>	<b>41</b>	39
<b>Permissible audit related and non-audit services</b>		
Audit related services (including Sustainability Report assurance, Continuing Connected Transactions limited assurance, limited assurance over EnergyAustralia's regulatory reviews and reporting, audits of CLP's provident funds and auditor's attestation)	9	10
Non-audit services (including tax advisory and other services)	1	1
<b>Total</b>	<b>51</b>	50

(For these purposes, **permissible audit related and non-audit services provided by PwC** include any entity under common control, ownership or management with PwC or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally.)

The fees of PwC and other non-principal external auditors are shown in Note 5 to the Financial Statements.

For the year ended 31 December 2021, the fees for permissible audit related and non-audit services accounted for 18% and 2% of the total fees respectively.

### Other Stakeholders

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

## Risk Management and Internal Control Systems

Effective risk management and internal control systems help the organisation anticipate its risk exposure, put controls in place to counter threats, and effectively pursue the set objectives. They are therefore an essential part of an organisation's operation and governance processes. This section explains (and contains cross references) the key features of our risk management and internal control systems.

### Risk Management Framework

CLP's overall risk management framework is overseen by, and is the responsibility of, the Board, through its Audit & Risk Committee, and comprises four key elements.

Risk Management Philosophy	Risk Governance Structure	Risk Management Process	Risk Appetite
CLP recognises that risk management is the responsibility of everyone within CLP and thus it is integrated into the business and decision-making process.	Clear roles and responsibilities are assigned to multiple layers within the organisation. This structure facilitates risk identification and escalation.	Through an integrated top-down and bottom-up risk review process, which enables risks identification and prioritisation throughout the Group, management maintains an open and effective communication channel to enable the timely escalation of material risk and adequate supervision of risk mitigation.	The nature and extent of the risks that the Group is willing to undertake in pursuit of its strategic and business objectives.

The way we manage risk is set out in the Risk Management Report on page 138.

### Internal Control Framework

CLP's structure of internal control is based on the internationally recognised COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 integrated framework. Our 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. CLP Corporate Governance Structure is consistent with our Risk Governance Structure – see page 139.

The **Board of Directors**, through the **Audit & Risk Committee's** review, is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The reviews cover management's assessment on the key business operations, changes in material risks, internal controls, audit and compliance issues.

**GIA** provides independent assurance to the Board on the adequacy and effectiveness of internal controls for CLP. They adopt a risk-based approach, concentrating on areas with significant risks or where significant changes have been

made. GIA is equipped with well qualified and capable staff with access to all the data and operations of the Group.

The **CEO** and the **Group Executive Committee** have primary accountability to the Board in ensuring that robust risk management and internal control systems are established and functioning effectively. Such responsibility is discharged by exercising structured and continuous monitoring and oversight across the Group.

**Group Functions** establish relevant Group-wide policies and procedures, oversee the risk and control activities of Business Units relevant to their respective functions.

**Control Owners** (Business Units, Functional Units and individuals) are primarily responsible for the design, implementation, and maintenance of risk management and internal control systems within his/her own area of responsibility. These systems are supported by well-defined policies and procedures, properly established and communicated, which reflect the values and corporate culture of the Group.

### Management Assurance on Internal Control Systems

Management and designated staff evaluate the control environment and conduct risk assessments on business and processes. Material risks and associated controls, including mitigation when needed, are continually reviewed and updated. The Board is regularly informed of significant risks that may have an impact on CLP’s performance. Regular management briefings and “deep dive” presentations are presented to the Audit & Risk Committee, as set out in the Audit & Risk Committee Report on page 152.

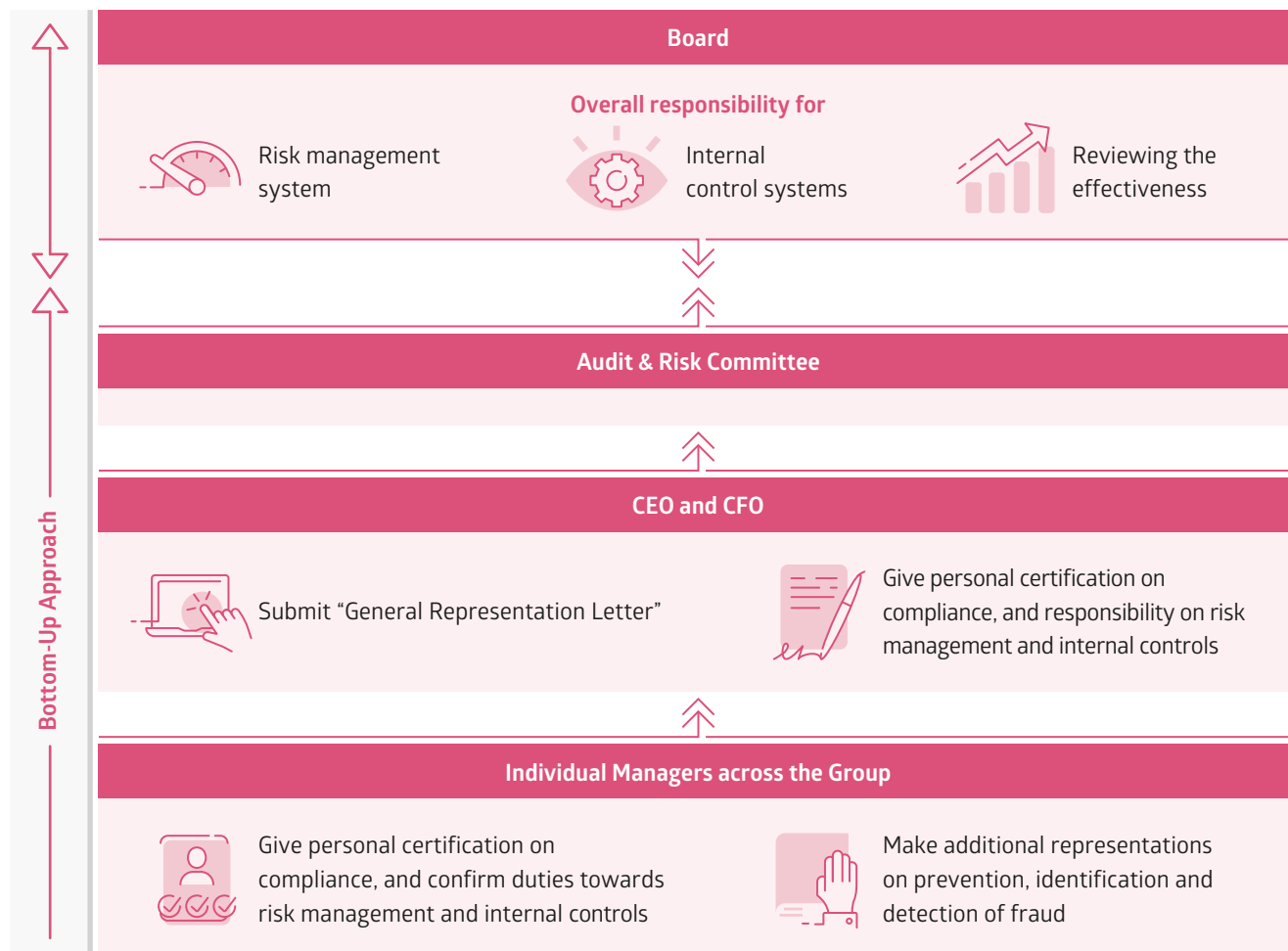
Our internal control review process continues to follow the substance of the requirements under the Sarbanes-Oxley Act on internal controls over financial statements. Three times a year, management provides internal control review updates to the Audit & Risk Committee which cover the scoping of significant processes and controls, assessment on controls design and operating effectiveness. High risk key controls are required to be tested annually by management while lower risk key controls are tested on a rotational basis. Control owners are then able to represent to Senior Management

that their internal controls are working as intended, or that necessary corrections have been made where control weaknesses are identified. The independent auditor also tests the key controls to the extent that they will be relied on for the audit.

Internal audit issues identified and associated remedial actions are followed up for proper implementation, and the progress is reported to the Audit & Risk Committee periodically.

Management is also requested to deliver a personal representation on compliance to our Code of Conduct, Code for Securities Transactions, major policies and procedures, and other major areas of concern, to confirm duties towards risk management and internal controls, and to make additional representations on prevention, identification and detection of frauds, among others. This General Representation Letter Process provides assurance to the CEO and CFO when preparing their personal representation statement, to be submitted to the Board, through the Audit & Risk Committee.

### CLP’s General Representation Letter Process





## Effectiveness of Risk Management and Internal Control Systems


Through the Audit & Risk Committee's review, the Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness.

### *The review process*


Five times a year, the Audit & Risk Committee reviews management's findings and the opinion of GIA on the effectiveness of the Company's risk management and internal control systems. The reviews cover management's assessment of the internal controls of key business operations, changes in material risks, internal control and compliance issues (both financial and non-financial) and significant issues arising from internal and the external audit reports.

For the year ended 31 December 2021, the Board considered the risk management and internal control systems of the Group to be effective and adequate. No significant areas of concern that might affect shareholders were identified.

## Inside Information

We have our own [Continuous Disclosure Obligation Procedures](#) which set out the procedures and controls for handling and dissemination of inside information. The Procedures are on the CLP website. Our Continuous Disclosure Committee (established in 2016) conducted regular assessment of potential inside information. The members of the committee include the CEO, CFO, the Company Secretary and the Director – Investor Relations. Please also see "Our disclosure" on page 111. 

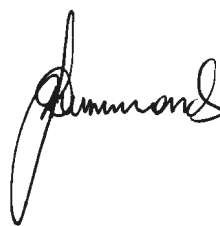
## Corporate Governance – Continuing Evolution and Disclosure

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

We will continue to review and, where appropriate, improve on our corporate governance practices in light of our experience, regulatory requirements and international developments.

Shareholders can make enquiries with the Board through the Company Secretary via our designated shareholders' hotline (852) 2678 8228, email at [cosec@clp.com.hk](mailto:cosec@clp.com.hk) or by posing questions at our general meetings. Requests for formal engagement with our management and / or Directors are also welcome.

By Order of the Board



**David Simmonds**  
Company Secretary  
Hong Kong, 28 February 2022