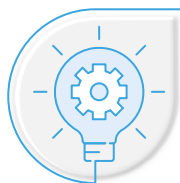
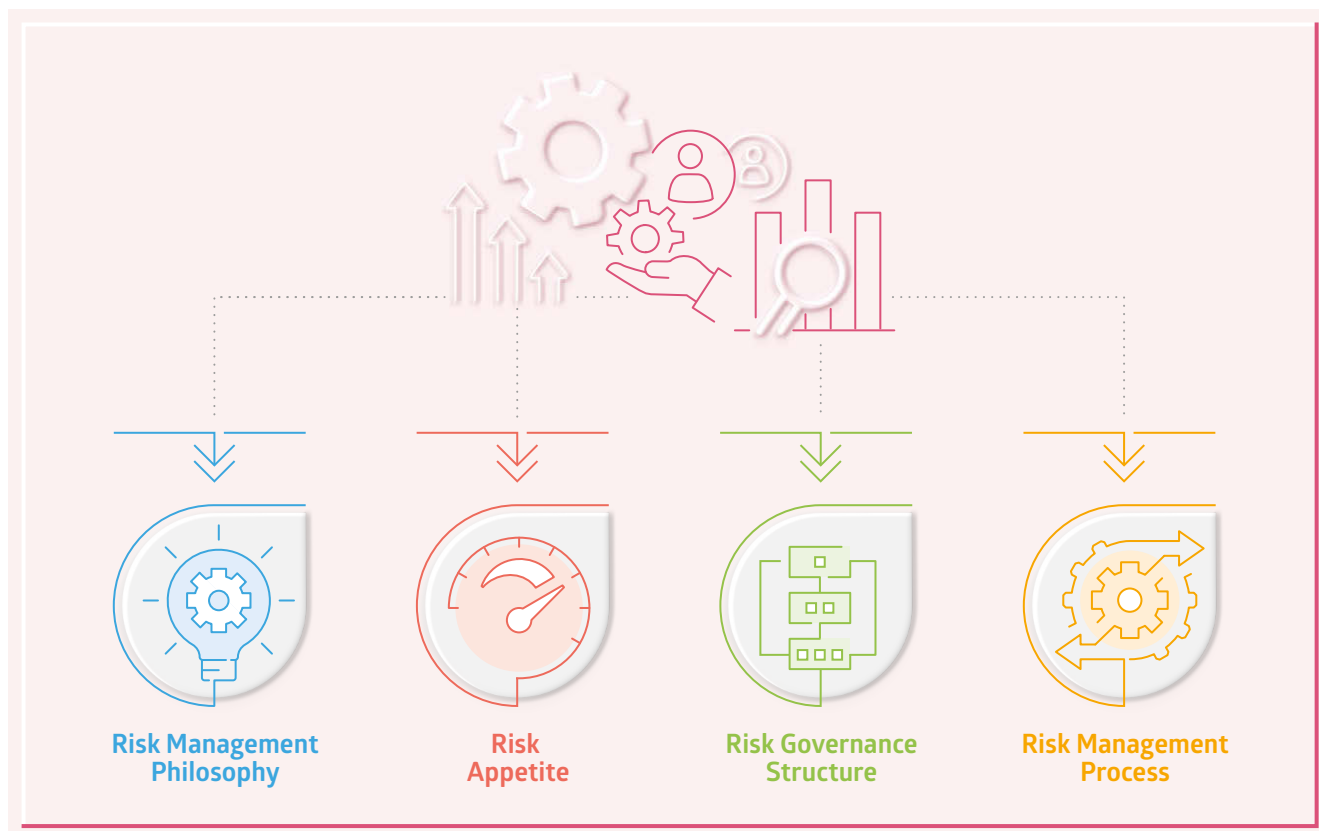


Risk Management Report

Risk management is an integral part of all processes and the responsibility of everyone within CLP as it is critical to the long-term growth and sustainability of the company.

CLP's Risk Management Framework

Risk is inherent to CLP's business and the markets in which it operates. CLP aims to identify risks early so that 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:



Risk Management Philosophy

CLP's Risk Management Philosophy

CLP recognises that risk management is the responsibility of everyone within the business, and cultivating and embedding risk awareness into the organisational culture is critical to implementing the Group's risk management framework. 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 to create a safe, healthy, efficient and environmentally-friendly workplace for employees and contractors while ensuring public safety and health, minimising environmental impact, as well as securing asset integrity and adequate insurance.



Risk Appetite

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, the Group takes only reasonable risks that fit its strategy and capability, can be understood and managed, and do not expose the Group to:

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

CLP has established its risk profiling criteria in line with its risk appetite to assess and prioritise each identified risk according to its consequence and its likelihood. Therefore, when assessing a risk, CLP considers non-financial consequences, as detailed in its risk appetite, in addition to financial ones.

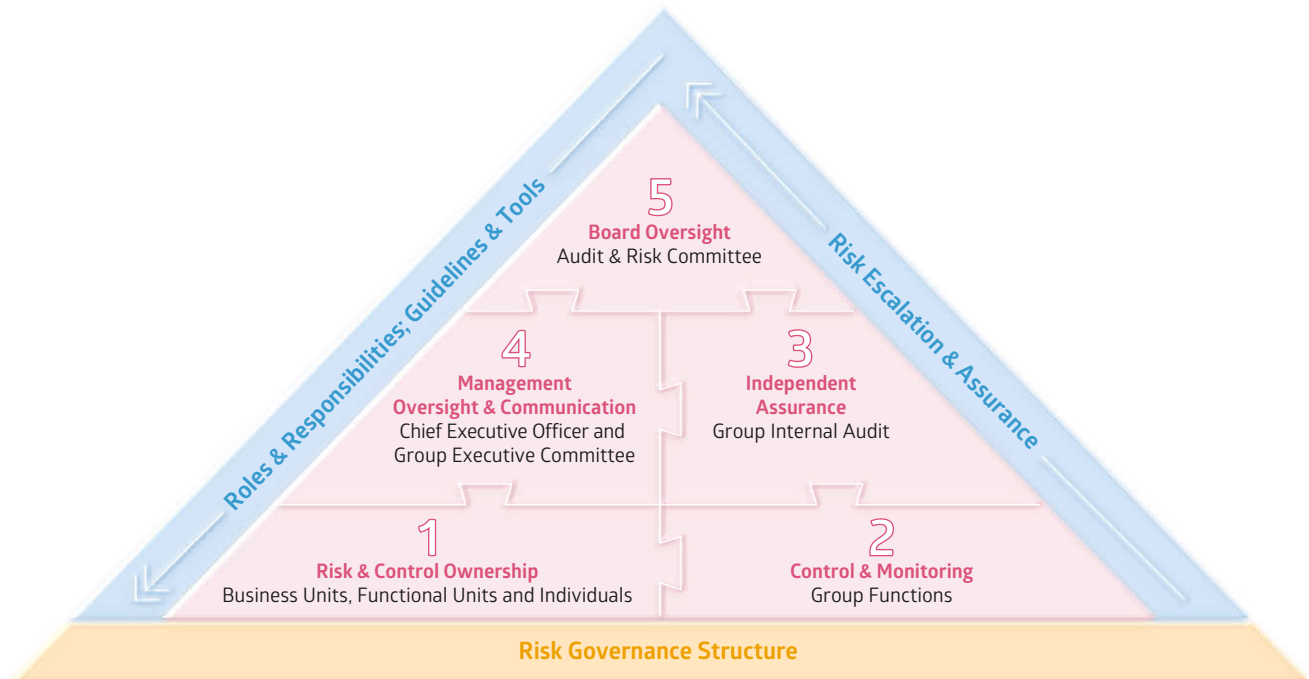


Risk Governance Structure

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:



Five Lines of Assurance	
<p>1 Risk and Control Ownership</p>	<p>Business Units, Functional Units, and Individuals:</p> <ul style="list-style-type: none"> ◆ Are responsible for identifying and assessing key risks in their areas of responsibility, making effective risk management decisions, establishing risk mitigation strategies and promoting risk awareness; ◆ 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; and ◆ Appoint risk managers or coordinators to facilitate communication, experience sharing and risk reporting.
<p>2 Control and Monitoring</p>	<p>Group Functions:</p> <p>Departments responsible for Finance, Risk Management*, Internal Control, Tax, Operations, Information Technology, Legal, Human Resources and Sustainability:</p> <ul style="list-style-type: none"> ◆ Establish relevant Group-wide policies, standards, procedures and guidelines; and ◆ Oversee the risk and control activities of business units relevant to their respective functions. <i>(* See also below the role of Group Risk Management)</i>
<p>3 Independent Assurance</p>	<p>The Group Internal Audit:</p> <ul style="list-style-type: none"> ◆ Carries out independent appraisal of the effectiveness of the risk management framework.
<p>4 Management Oversight and Communication</p>	<p>The CEO and the Group Executive Committee:</p> <ul style="list-style-type: none"> ◆ Provide leadership and guidance for the balance of risks and opportunities; ◆ Review and report to the Board through the Audit & Risk Committee on the material risks affecting the Group, as well as their potential impact, their evolution and mitigating measures; and ◆ 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 & Risk Committee.
<p>5 Board Oversight</p>	<p>The Audit & Risk Committee, acting on behalf of the Board:</p> <ul style="list-style-type: none"> ◆ 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; and ◆ Oversees management of risk identification, reporting and mitigation efforts.



Group Risk Management

The Group Risk Management function is tasked with:

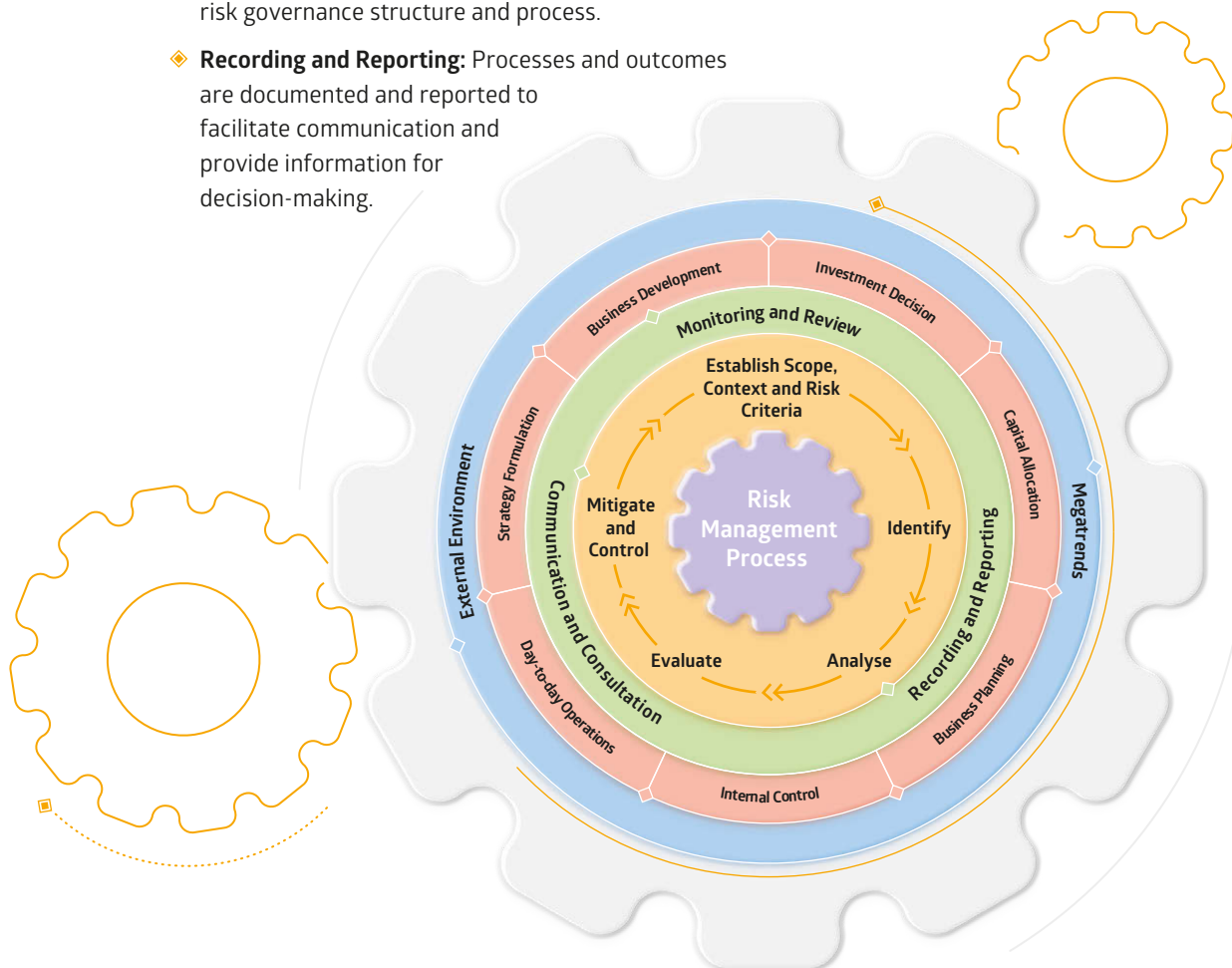
- ◆ Implementing the Group's Risk Management Framework, and assisting business units in implementing their own frameworks;
- ◆ Managing regular risk review and risk reporting processes of the Group;
- ◆ Facilitating independent risk appraisal for projects seeking endorsement by the CLP Holdings Investment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



Risk Management Process

CLP's Risk Management Process

- ◆ **Integration is 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.
- ◆ **Understanding the external environment and megatrends** which may have significant implications for CLP's business and markets. CLP recognises that certain external global trends could have an impact on its operating and strategic environment. These megatrends encompass political, economic, social, environmental and technological changes which could rapidly evolve, changing the context in which the company operates.
- ◆ **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; and
 - ✓ Developing and implementing controls and mitigation plans.
- ◆ **Communication and Consultation:** A continuous and interactive process, involving communication and consultation with stakeholders.
- ◆ **Monitoring and Review:** Regular monitoring and review according to the established risk governance structure and process.
- ◆ **Recording and Reporting:** Processes and outcomes are documented and reported to facilitate communication and provide information for decision-making.



CLP’s Risk Management Process as an integral part of 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:

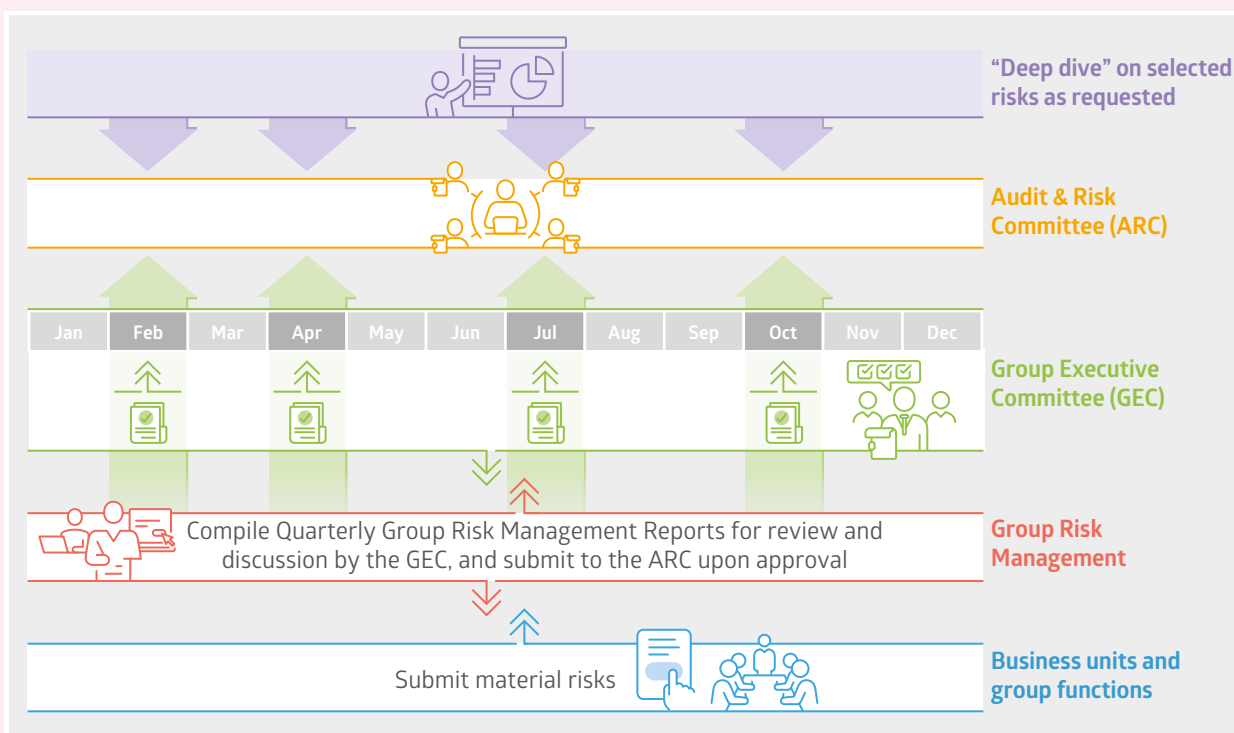
- (1) Comprehensive identification and prioritisation of all material risks throughout the Group;
- (2) Containment of material risks at the appropriate managerial level;
- (3) Effective risk dialogue among the management team; and
- (4) Proper governing of risk mitigation efforts.

Top-down Process

- ◆ At 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 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 an 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, formulate mitigation measures and 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 135 to 137.

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 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 2022 business planning process.

Climate Change Risk Management

How CLP Identifies, Assesses and Manages 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 an integral part of its Group-wide Risk Management Framework.

According to the recommendations of the Task Force on Climate Related Financial Disclosure (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 impact from supply chain disruption.



CLP's reporting on climate change risk management in the 2020 Annual Report was cited as an example of good practice in the Climate Disclosure Standards Board's TCFD Good Practice Handbook (pictured), published in November 2021.

CLP recognises the wide-ranging implications of climate change, and considers climate change risks a combination of standalone risks and cross-cutting risk drivers of other material risks. As shown in the CLP's top-tier risk tables on pages 145 to 150, climate change transition risk and physical risk have respectively been identified as standalone risks and categorised under Regulatory Risk and Operational Risk. The tables also illustrate other material risks connected with either **Transition**  or **Physical**  risk drivers, or combinations of the two.

As with other material risks, CLP adopts the same set of risk profiling criteria in assessing climate change risks. Climate change risks are managed across the Group according to CLP's risk governance structure and risk management process, with management oversight and assurance provided to the Board. In 2021, CLP committed to achieving net-zero greenhouse gas emissions across the value chain by 2050 under its updated Climate Vision 2050 strategy, which guides the Group in managing climate-related risks as well as opportunities.

Detailed discussions on CLP's climate strategies are included in the Capitals chapter on page 64. Additionally, further information is available in CLP's 2021 [Sustainability Report](#) and 2021 Climate-related Disclosures Report. 


Material Risks to the Group

As an investor and operator in the energy sector of the Asia-Pacific region, CLP's risk profile is categorised into six key risk areas: operational, commercial, regulatory, financial, market and human resources. The top tier risk profile is summarised below:

Operational Risk	
<p>CLP's operations are exposed to a variety of operational risks relating to Health, Safety and Environment (HSE) incidents / compliance, physical security, plant performance, data privacy, cyber security attacks on operational technology (OT) and IT systems, project delivery and extreme weather events as a result of climate change.</p> <p>New COVID-19 variants including Omicron have sparked major concerns worldwide and brought further travel restrictions. The impact of the new variants on CLP's operations will continue to be closely monitored.</p>	<p>CLP manages operational risk by:</p> <ol style="list-style-type: none"> Implementing an HSE improvement plan, involving all stakeholders, to rethink risks and build and promote a sound safety culture across the Group, as well as among contractors and sub-contractors. Group-wide initiatives on eliminating exposure to serious injuries and fatalities include the introduction of the Safety in Design framework and improvements to the incident investigation process; Implementing operations and systems reinforcements to maintain a high operational and emissions performance; Maintaining appropriate response levels and control measures in response to the COVID-19 pandemic; Consolidating emergency response, crisis management, disaster recovery and business continuity plans with regular drills; Enforcing a Group-wide Project Management Governance System to facilitate the delivery of high-quality projects; and Introducing Group-wide cybersecurity policies and standards with appropriate controls, technologies and practices at all levels, while cultivating a cyber resilience culture across the Group.

Group Top Tier Risks – Operational	Changes in 2021	Additional References
1. Major HSE incidents  		Pages 55-56, 82-83, 87, 164
2. COVID-19 outbreak		Pages 41, 52, 58, 82, 86
3. Cyber security attack – OT systems		Pages 76, 155
4. Cyber security attack – IT systems		Pages 76, 155
5. Physical security breach		Page 76
6. Major failure – generation assets		Pages 52-53, 74
7. Climate change – physical risk 		Pages 52, 76, 241
8. Renewables – lower performance 		Pages 47-49, 58-59, 74
9. Major projects delay / cost overrun 		Pages 43-44

 Risk level increased  Risk level decreased  Risk level remains broadly the same

 Connected with transition risk drivers

 Connected with physical risk drivers

Material Risks to the Group (continued)









Commercial Risk

Commercial risk refers to potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties. Building the capabilities to support a proactive procurement and supply chain management (PSCM) practice is critical to CLP's business and its transformation into a Utility of the Future. Currently, commercial disputes, delays in the collection of receivables, the financial health of counterparties, fuel supply interruptions, PSCM capabilities, reduced energy margins and price volatility are key commercial risks impacting CLP.

Additionally, a number of digital transformation programmes are being implemented to improve customer engagement and experience, cost effectiveness, system flexibility and reliability.

CLP manages commercial risk by:

- a) Diligently pursuing the resolution of payment delays and commercial disputes;
- b) Monitoring the financial health of counterparties;
- c) Liaising with fuel suppliers to mitigate ongoing sources of environmental, economic, operational, delivery and credit risks affecting fuel supply security, as well as establishing contingency planning for potential supply disruptions;
- d) Diversifying fuel sources and fuel procurement strategies in order to secure a stable supply of fuel at competitive prices;
- e) Promoting excellence in PSCM capabilities, driving supply chain resilience and agility, managing critical whole-of-CLP supplier relationships, and increasing visibility of practice, suppliers and supply markets through improved analytics capability and new technologies; and
- f) Establishing strong leadership in driving digital transformation, having formal governance over technology architect and design decisions as well as the execution of major programmes, while developing a data-driven, innovation culture.

Group Top Tier Risks – Commercial	Changes in 2021	Additional References
10. Gas supply shortage – Hong Kong  		Page 43
11. Coal supply shortage – Australia (Mt. Piper)		Page 53
12. Tariff adjustment challenge – Hong Kong 		Page 42
13. Delayed tariff payments in India and National RE subsidies in Mainland China		Pages 48, 58
14. Digital transformation risk		Pages 18, 77-79
15. Procurement and supply chain capabilities risks	NEW	Pages 76, 162
16. Decarbonisation and other commercial disputes with joint venture partners in coal power assets 	NEW	Page 50

Material Risks to the Group (continued)

Regulatory Risk

CLP's capability to achieve more stringent performance targets in Hong Kong presents a short-term regulatory risk exposure, while there is possible risk of adverse regulatory changes in the medium to longer term.











The Group's Australian business continues to face regulatory challenges which may restrict its margin recovery, increase the complexity and cost of market operations, and present significant regulatory compliance challenges.

In Mainland China, the implementation of power sector reforms has gathered pace, with continuous expansion of market sales. Geopolitical tensions between China and its major trading partners may bring new challenges to CLP's business, including its supply chain and overseas investments.

As CLP progresses its strategy to address climate change challenges, the pace of changes in government policies, regulations, technologies and market structures could be faster than the Group's responses.

CLP manages regulatory risk by:

- a) Closely monitoring regulatory development and market / public sentiment;
- b) Working constructively with governments to advocate CLP's position on regulatory changes;
- c) Mobilising internal resources to ensure timely responses to regulatory changes, while maintaining regulatory compliance and oversight;
- d) Communicating and highlighting the importance of a balance between a reliable and safe supply, care for the environment, and reasonable tariffs;
- e) Reinforcing CLP's efforts to care for the community and promote energy efficiency;
- f) Developing capacity and decarbonisation scenarios to achieve net-zero emissions by 2050 and progressively phase out remaining coal-fired generation assets by 2040;
- g) Working together with the Hong Kong Government to explore ways to enhance regional cooperation on zero-carbon energy; and
- h) Conducting supply chain review for assets on imported equipment and spares, and exploring alternative sources and localisation opportunities.

Group Top Tier Risks – Regulatory	Changes in 2021	Additional References
17. Regulatory changes – Hong Kong 		Page 42
18. Regulatory changes – Australia 		Page 56
19. Regulatory changes – Mainland China 		Page 48
20. Climate change – transition risk 		Pages 88-95
21. International sanctions risk		Page 76
22. Regulatory compliance – Australia		Pages 52-53

Material Risks to the Group (continued)

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. Volatile foreign exchange and equity markets have further affected the cost of securing financing.

The enduring effects of the COVID-19 pandemic and geopolitical tensions have elevated financial market uncertainties.

CLP manages financial risk by:

- a) Reviewing liquidity, maintaining investment grade credit ratings, and preserving a healthy capital structure;
- b) Taking pre-emptive action for early completion of major financings on preferential terms;
- 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, and ensuring project level debt financing is denominated in and 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 banks' credit standing, and ensuring non-recourse to CLP Holdings for counterparties of CLP Holdings' subsidiaries and affiliates;
- h) Maintaining good, trustworthy relationships with lenders (banks and bondholders); and
- i) Ensuring transparency in financial communications and disclosures.

Group Top Tier Risks – Financial	Changes in 2021	Additional References
23. Financial market volatility	↔	Pages 67-73, 284-287
24. Availability of competitive funding	↔	Pages 67-73, 287-289
25. Default of Group's financial counterparties	↔	Pages 67-73, 287

Material Risks to the Group (continued)



Market Risk

In Australia, the retail energy market remains intensely competitive, while wholesale electricity prices declined sharply and remained low until the middle of 2021 as volatilities in the wholesale market increased.

Business in Mainland China has been affected by changes in the structure of the economy, tighter environmental rules and increasing market sales through competitive bidding, and coal price volatility. Coal prices have risen sharply since the second quarter of 2021, affecting the financial performance of the coal portfolio.

CLP manages market risk 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, while continuing business innovation 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; and
- g) Specifically, with regard to Mainland China:
 - ◆ Proactively engaging with Governments to advocate CLP's positions on coal supply issues, tariff adjustments and dispatch;
 - ◆ Pricing market sales at an optimal margin to secure more generation and maintain a high dispatch priority;
 - ◆ Pursuing steam sales to increase plant usage; and
 - ◆ Revisiting market sales strategy and governance processes amid the unprecedented surge in coal prices.

Group Top Tier Risks – Market	Changes in 2021	Additional References
26. Australia – Customer competition and energy market volatilities 		Pages 52-53, 286
27. Market risks in Mainland China 		Pages 19, 48-50


Material Risks to the Group (continued)

Human Resources Risk

Executing the decarbonisation and digital transformation agenda and realising current and potential opportunities in Hong Kong and the Greater Bay Area (GBA) will bring significant challenges in succession management, talent attraction and retention, leadership, structure and operating model change and culture change. The organisation capability development challenge is likely to be exacerbated in coming years by continued geopolitical volatility, social issues, the pandemic situation and demographic shifts.

CLP manages human resources risk by:

- a) Managing senior management succession, in particular ensuring continuity of stakeholder relationships, and managing heightened leadership complexity;
- b) Resourcing with innovation, digital and business development skillsets in Hong Kong and Mainland China, accelerating the development of engineering talent to address retirement needs and facilitating talent mobility across the GBA;
- c) Evolving to more agile operating models and human resources management systems, and embedding significant organisation and business process changes; and
- d) Managing the culture agenda by embedding CLP's values and appropriate risk culture in an increasingly diverse workforce, building resilience, and evolving mindsets and behaviours to embrace change at pace, calculated risk-taking, and collaboration between employees, customers and external partners.

Group Top Tier Risks – Human Resources	Changes in 2021	Additional References
28. Organisation capability development for growth and transformation		Pages 80-87

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 page 139 to 140 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 137, and the Audit & Risk Committee Report on page 155.



Nicolas Alain Marie Tissot

Chief Financial Officer

Hong Kong, 28 February 2022

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. This Committee comprised the following Members during the Period:

Mr Nicholas C. Allen
(the Chairman)

Mrs Fanny Law

Ms May Siew Boi Tan

Mr Chunyuan Gu

[Biographies](#) of the Members are set out in Board of Directors on page 98 and on our website. 

The Committee works closely with the auditors and management-level group functions and, in addition to the Members, regular attendees at the Committee's meetings are:

- ◆ Chief Executive Officer – Mr Richard Lancaster;
- ◆ Chief Financial Officer – Mr Nicolas Tissot; appointed with effect from 1 April 2021, following the change of role and subsequent retirement of Mr Geert Peeters of the same position;
- ◆ Group General Counsel & Chief Administrative Officer – Mr David Simmonds;
- ◆ Senior Director & Group Controller – Mr Pablo Arellano;
- ◆ Senior Director – Group Internal Audit (GIA) – Ms Kathy Liu; and
- ◆ Independent Auditor – the engagement partner and others from PwC.

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

Meetings and Attendance

During the reported period (full-year 2021 and for 2022 up to the date of this Report) (the Period), the Committee held six meetings in 2021 and another two meetings in 2022. The Chairman met regularly and individually with each of PwC, the Senior Director – GIA and the CFO. The Committee commenced its meetings 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 six sessions for Committee Members only were held during the Period.

Individual attendance of Members for the 2021 meetings is set out in the Corporate Governance Report on page 121.

EnergyAustralia

CLP's wholly-owned subsidiary, EnergyAustralia, has its own board of directors that includes independent non-executive directors. The EnergyAustralia board has established an audit and risk committee (ARC) 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 the work of 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.

Highlights of the Committee's Work

The Committee devoted considerable time in reviewing the accounting treatment of certain key items and in monitoring some of the material risks faced by the Group.

With the challenges and changes faced by the EnergyAustralia business, the Committee paid particular attention to the carrying values of the business cash generating units at the time of finalising the half-year and annual financial statements. This was also reflected in the Key Audit Matters in the Auditor's Report. In addition, the Committee closely monitored the legal proceedings for the Iona case which resulted in a final settlement in March.

The Committee was cognisant of the material risks that the Group was facing. The topic of cybersecurity remains as a standing item for deep dive briefing and the Committee had dedicated briefings on this in the January and June Committee meetings. With the significance of EnergyAustralia's investment in a new project for the retail business, the Committee had the opportunity of understanding the background and strategy of this project while recognising that this EnergyAustralia project would be subject to the governance oversight at EnergyAustralia's level.

For the Hong Kong business, the Committee appreciated the number of major infrastructure projects that was being undertaken by the local business and the Committee received detailed briefings on the CCGT unit 2 project and the Hong Kong Offshore LNG Terminal project as well as the gas supply security for Hong Kong.

The following table provides an overview of how the Committee spent its time during the Period:

	2021						2022	
	Jan	Feb	Apr	Jun	Jul	Nov	Jan	Feb
Risk Management, Internal Control and Compliance								
Quarterly risk management report		■	■		■	■		■
In depth briefing on high risks and processes								
◆ EnergyAustralia retail business			■					
◆ Cybersecurity	■			■	■			
◆ Hong Kong major infrastructure projects & Hong Kong gas supply						■		
Internal control review update		■		■		■		■
Management's general representation letter		■			■			■
Outstanding internal audit issues		■	■	■	■	■		■
Legal and regulatory compliance		■			■			■
Annual and Interim Financial Reports								
Annual and Interim financial statements and reports		■			■			■
Assessment of critical accounting judgements	■	■		■	■		■	■
Sustainability Report data assurance review		■						■
Internal and External Auditing								
Internal audit results and audit issues		■	■	■	■	■		■
Ethics 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		■						■

Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Risk Management, Internal Control and Compliance	
Effectiveness of risk management and internal control systems	<p>The Committee received and reviewed management's periodic internal control reports and the Group's quarterly risk management reports. As part of the review of the interim and annual financial statements, the Committee examined and received the General Representation Letters from the CEO and CFO (see page 136 for further details regarding the General Representation Letters).</p> <p>The Committee's monitoring of the risk management and internal control systems was supported by the review work and reporting by GIA and by the independent auditor's report of their testing of the control environment of the Group.</p> <p>During the Period, no internal control issue that would be material to the integrity of the financial statements was identified.</p> <p>The Committee analysed and was satisfied that the Group's risk management and internal control systems were effective and adequate for the Period.</p>
Deep dive briefings	<p>Having regard to the nature of the risks and the potential exposure for the Group, the Committee requested management to make deep dive presentations on the following topics:</p> <ul style="list-style-type: none"> ◆ EnergyAustralia Retail Business – Management gave a briefing on the current status and outlook for EnergyAustralia's retail business. The Committee considered and discussed with management the following issues regarding the retail business: the future of the customer business model, improving customer experience and the business cost structure. ◆ Cybersecurity – The Committee recognised the importance of cybersecurity and requested for the periodic deep dive examination to continue. The Committee was particularly focused on understanding and monitoring the progress on various cybersecurity initiatives. ◆ Hong Kong Major Infrastructure Projects & Hong Kong Gas Supply – Management presented to the Committee the different gas supply arrangements, the potential risks to the gas supply and the corresponding mitigation controls in connection with the risk associated with the gas supply security.
Reporting on risk management	<p>At the recommendation of the Committee, management expanded the coverage of the quarterly risk management report to incorporate the action plan and status for the risk-related reporting on cybersecurity.</p> <p>In addition, the Committee spent considerable efforts in analysing and monitoring the unique risks and challenges faced by the Group as explained above.</p>
Cybersecurity	<p>Briefing on cybersecurity has been a regular feature on the Committee's meeting agenda for a number of years. This was also covered in the above.</p> <p>In considering the update from management, the Committee emphasised the importance of reporting back to the Committee regarding the follow up actions and related progress.</p>

Areas of Focus	
Risk Management, Internal Control and Compliance	
Compliance	<p>As part of the consideration of the half-year and annual financial statements, the Committee reviewed and considered a comprehensive legal and regulatory report on the Group. This report is in relation to key regulatory compliance issues and legal cases for each region of the Group.</p> <p>The Committee reviewed the Group's compliance with applicable legal and regulatory requirements including the Listing Rules, the Corporate Governance Code, 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 Corporate Governance Code is that CLP does not publish quarterly financial results (as a recommended requirement); and continued to agree with the considered reasons for this exception (please refer to page 112).</p>
Annual and Interim Financial Reports	
Annual Reports and Interim Report	The Committee reviewed the 2020 and 2021 Annual Reports and the 2021 Interim Report and on the recommendations from the Committee, these were approved by the Board.
2021 Financial Statements – accounting judgements	<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 Apraava Energy, and the disclosures and accounting treatments of major transactions and events as well as 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>
Sustainability Report data assurance	The Committee considered and acknowledged PwC's report on the sustainability assurance in respect of the 2020 and 2021 Sustainability Reports . 
Internal and External Auditing	
Internal audit	<p>The Committee received and considered reports from the Senior Director – GIA. GIA issues two types of reports: a) audit reports which provide independent appraisal of the audit unit's compliance with prescribed policies and procedures, and evaluation of the effectiveness of the overall controls; and b) special review reports which focus on new business areas and emerging risks, where control advisory is provided. GIA has also conducted desktop review for selected lower risk audit units to enhance audit effectiveness and timeliness of communication with auditees.</p> <p>For the year 2021, a total of 28 audit, 10 special review and three desktop review were completed. One of the audit reports carried a not satisfactory audit opinion.</p> <p>None of the control weaknesses identified had a material impact on the financial statements.</p>

Areas of Focus

Internal and External Auditing

Internal audit function

The Committee 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.

The Committee took note that an independent peer review of GIA was completed in 2021. The Committee considered the detailed results of peer review conducted by Ernst & Young Advisory Services on the GIA function; generally, a peer review is conducted periodically. The results of the peer review were submitted to, and considered by, the Committee and the scope included the compliance with the Institute of Internal Auditors (IIA) Standards as well as a key stakeholders survey on GIA's effectiveness and areas for improvement. From the peer review, it was concluded that the GIA projects performed were found to be in generally conformance with the IIA Standards and from the survey conducted, there was an overall positive response on GIA's effectiveness and corresponding action plans were recommended which were also noted by the Committee.

Financial Statements – auditor's opinion

For both the 2020 and 2021 financial statements, PwC presented the auditor's opinion on the financial statements and the Key Audit Matters that had material impacts to the financial results and position of the Group. The Key Audit Matters identified were considered and reviewed by the Committee.

Fees to independent auditor and its re-appointment

The Committee reviewed the following fees payable to PwC:

- ◆ audit fees for 2020 and 2021 for approval by the Board; and
- ◆ permissible audit related and non-audit services provided by PwC for 2020 and 2021.

At the 2021 AGM, over 99% of the shareholders voting supported the re-appointment of PwC and they were re-appointed as independent auditor for 2021.

Having considered PwC's performance and independence as independent auditor, 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.

Ms Yee Shia Yuen was appointed as the new lead audit partner of CLP for the financial year 2021, after her predecessor retired from CLP's audit assignments upon the completion of seven years of service after the 2020 financial year-end audit. This rotation is consistent with The International Federation of Accountants rules on independence of external auditors. 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 134.

Areas of Focus	
Corporate Governance	
Corporate governance practices	<p>The Committee received a report on Corporate Governance Policies and Practices Review covering shareholders' communication policy, Code of Conduct, whistleblowing policy, procedures on gifts and entertainment, anti-fraud policy and policy on making political contributions.</p> <p>The Committee took note of some of the market and regulatory developments and trends that might have an impact on CLP's corporate governance practices, in particular, the consultation proposals on corporate governance that were put forward by the Hong Kong Stock Exchange. Further details of the new requirements and the practices which CLP have adopted are set out on page 109 of the Corporate Governance Report.</p>
Continuing connected transactions	<p>The Committee considered the work carried out by PwC on the annual reporting and confirmation of continuing connected transactions as required by the Listing Rules.</p>
Culture-related	<p>The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of 18 breaches in 2021 were material to the Group's financial statements or overall operations. The breaches were mainly related to issues of workplace behaviour and individuals' ethics and integrity. None of the reported Code of Conduct violations involved employees at the grade level of senior manager or above.</p> <p>The Committee analysed the findings of the 2020 ethics and controls commitment survey for the employees and took note that a new section with questions on "Culture" was introduced. The Committee encouraged management to undertake further analysis regarding the responses to the questions on culture.</p>

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 reports to the Board at the Board meetings in which the half-year and annual financial statements are considered and this would cover key issues considered by the Committee in the course of the review of the preparation of the financial statements.

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 Hong Kong Stock Exchange Corporate Governance Code. Full [terms of reference](#) can be found on CLP's and the Hong Kong Stock Exchange's websites. 

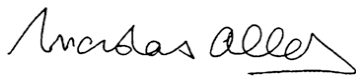
Audit & Risk Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Committee during 2021 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.

Looking Ahead

The Committee has, over the years, developed a well-disciplined and robust approach in the oversight of the preparation of financial statements and the monitoring of the Group's risks. In looking ahead, the challenging operating environment is likely to continue for some time, the Committee will ensure that this approach will continue to be upheld in these uncertain times.



Nicholas C. Allen

Chairman, Audit & Risk Committee
Hong Kong, 28 February 2022

Sustainability Committee Report

Members

The Members of the Sustainability Committee are appointed by CLP Holdings' Board of Directors to oversee CLP's sustainability issues. This Committee comprised the following Members during the Period:

Mr Richard Lancaster

(Chief Executive Officer) (the Chairman)

Ms Christina Gaw

(Independent Non-executive Director)

Mr Nicholas C. Allen

(Independent Non-executive Director)

Mr Andrew Brandler

(Non-executive Director)

Mrs Fanny Law

(Independent Non-executive Director)

Mr Philip Kadoorie


(Non-executive Director)

Ms May Siew Boi Tan

(Independent Non-executive Director)

Ms Quince Chong

(Chief Corporate Development Officer)

[Biographies](#) of the Members are set out in Board of Directors on page 98, Senior Management on page 104 and on our website. 

The governance of sustainability is integrated in the CLP Group's corporate governance structures – from Board-level Committees to management-level group functions and business units (please refer to page 113 of the Corporate Governance Report on CLP's Approach to ESG Reporting). In supporting the Committee, the management-level Sustainability Executive Committee and Group Sustainability Department have the strategic and operational responsibilities 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 Nicolas Tissot, appointed to this position in place of Mr Geert Peeters with effect from April 2021;
- ◆ Chief Operating Officer – Mr David Smales, attended the Committee meetings prior to his resignation in December 2021;
- ◆ Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- ◆ Chief Human Resources Officer – Ms Eileen Burnett-Kant.

Meetings and Attendance

The Committee meets as frequently as required and the Committee met five times during the reported period (full-year 2021 and for 2022 up to the date of this Report) (the Period).

Highlights of the Committee's Work

Continued Focus on Climate Change

A key focus of the Committee's work during the Period was overseeing the work on climate change and its impact on the Group's strategy. The Committee held an additional meeting during the year to consider the proposed climate-related targets for CLP. The Committee spent considerable time in reviewing the draft CLP's Climate Vision 2050 with the objective of delivering a firm commitment to climate action in a clear and succinct manner.

The Committee had the benefit of a briefing from a leading external expert on the key outcomes of COP26; this covered the international efforts in reducing greenhouse gas emissions, the potential opportunities associated with the commitments and pledges at the COP26 and the implications for the corporate sector.

The following table provides an overview of how the Committee spent its time during the Period:

	2021				2022
	Feb	Jul	Sep	Nov	Feb
Climate Change-related Matters		■	■	■	
Other Sustainability Matters – risks, opportunities and emerging issues			■		
Sustainability Reporting / Indices performance	■			■	■
Health, Safety, Security and Environment	■		■		■
Community, Charitable and Environmental Partnerships and Initiatives	■				■

Summary of Work Done

In addition to the Highlights of the Committee’s Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.


Areas of Focus	
Climate Change-related Matters	
<p>Climate Vision 2050 targets update</p> 	<p>The Committee examined the proposed Climate Vision 2050 targets update against the science-based benchmarks. There were in-depth discussions on how CLP could accelerate the closure or exit of coal from the generation fleet and the financial impact from the revised targets. The Committee also considered the various scenarios put forward by management to achieve the net-zero target for 2050.</p> <p>The Committee reviewed the draft Climate Vision 2050. The Committee paid particular attention to the proposed strengthened targets and these included the net-zero greenhouse gas emissions by 2050; interim science-based targets for 2030 to limit global warming to well-below 2°C above pre-industrial levels; accelerate phase-out of CLP’s coal-based assets by 2040; and CLP’s commitment to strengthen the targets at least every five years in recognition of the objective to further raise CLP’s ambition in line with the 1.5°C pathway.</p> <p>Following the publication of CLP’s Climate Vision 2050, the Committee considered the feedback from CLP key stakeholders on the publication and the new targets.</p>
<p>Climate change-related developments and risks</p>	<p>The Committee considered the climate change policy landscape at the international level and in the CLP markets.</p> <p>In addition to the briefing from an international climate change expert, the Committee received a briefing from management on Hong Kong’s Climate Action Plan 2050. This covered a range of initiatives for Hong Kong including the Climate Action Plan Targets, energy efficiency and green buildings, Feed-in Tariff scheme, waste management and electric vehicles development.</p>
<p>TCFD</p> 	<p>The Committee considered the update on climate-related disclosures and progress on climate change scenario analysis including the development of a methodology of climate-related financial impacts. The Committee acknowledged that the next stage of CLP’s disclosures would be to further test the climate scenario analysis and to analyse the financial impacts of transition risk and opportunities along with the physical risks and opportunities, with reference to the guidelines on climate scenarios to be developed by World Business Council for Sustainable Development.</p> <p>The Committee gave its support to the Company’s publication of a separate Climate-related Disclosures Report for 2021, which follows the TCFD recommendations and the International Sustainability Standards Board’s Climate-related Disclosures Prototype.</p>
Other Sustainability Matters – risks, opportunities and emerging issues	
<p>Update on sustainability in procurement</p>	<p>The Committee perused the Procurement & Supply Chain Management (PSCM) Sustainability Plan proposed by management. This plan focused on the three core pillars of strengthening the PSCM sustainability: enhancing the supply chain risk management framework, managing physical climate risk along the supply chain and addressing human rights associated with the supply chain. The Committee considered a number of key issues including audit rights over suppliers and sustainability requirements on the Group’s supply chain.</p>

Areas of Focus


Sustainability Reporting / Indices Performance

Sustainability Reporting Standards



The Committee considered and endorsed the proposed revised approach to reporting for the Annual Report and [Sustainability Report](#), which was in line with the emerging trends led by the ISSB and the European Financial Reporting Advisory Group. The key change would be to deploy the concept of double materiality, with the Annual Report focusing on ESG topics that would have an impact on enterprise value and the [Sustainability Report](#) would focus on stakeholder impact. 

The materiality assessment for 2021 had been updated and the Committee was satisfied with the results of the materiality assessment, including the double materiality approach and resultant financial and impact material topics.

The Committee also considered and endorsed the contents of the 2021 [Sustainability Report](#). In addition, the Committee reviewed the Climate-related Disclosures Report which was being produced for the first time. 

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.

Performance on external sustainability indices

As a standing item, the Committee was briefed on, and monitored, CLP's performance on external sustainability indices.

The Committee analysed the results of the key sustainability indices including the Dow Jones Sustainability Index (DJSI) and Hang Seng Corporate Sustainability Index Series. The Committee took note of the evolving ESG assessment and benchmarking initiatives and discussed the potential implications of CLP's performance in the indices.


Further details of selected 2021 sustainability ratings for CLP's 2020 sustainability performance are shown in the following table. The scores reflected the performance of the year before.

Index Name	2021 Score	2020 Score	2019 Score
DJSI	77	77	73
CDP – Climate Change	A–	B	B
Hang Seng Corporate Sustainability Index	AA	AA–	AA–
FTSE4Good	3.4	3.6	3.7
MSCI ESG Leaders Indexes	AA	AA	AA
Sustainalytics ESG Risk Ratings*	27.8 Medium Risk	29.9 Medium Risk	N/A

* Given the increasing prominence of Sustainalytics ratings, the Committee was updated on this score for the first time in 2020. A lower score represents a lower ESG risk.


Areas of Focus	
Health, Safety, Security and Environment	
Operational Health, Safety, Security & Environment Standards	<p>The Committee took note of the overall improvement on the safety performance of the CLP Group with less injuries sustained; and that the next phase of the HSE improvement strategy would be a strong emphasis on addressing activities with gravitational hazards.</p> <p>The Committee received and reviewed the proposed HSE Plan (2022-2024) which sets out a series of initiatives to strengthen HSE performance across CLP operations.</p>
Community, Charitable and Environmental Partnerships and Initiatives	
Community initiatives	<p>The Committee reviewed management's report on the community initiatives undertaken by CLP in 2021 and gave their support on the 2022 programme highlights for Hong Kong, China, EnergyAustralia and Apraava Energy.</p>

Responsibilities

<p>Primary Responsibilities</p> <p>The Committee's primary responsibilities include:</p> <ul style="list-style-type: none"> ◆ 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. 	<p>Accountability</p> <p>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.</p> <p>The objectives of the Committee are to oversee management and advise the Board on matters required to enable:</p> <ol style="list-style-type: none"> 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. <p>Terms of Reference</p> <p>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. </p>
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Looking Ahead

The Committee will continue its focus on longer-term emerging sustainability issues concerning the Group, in particular, on climate change. The Committee is well aware of the Group's stakeholders' increasing focus on sustainability and climate change issues. The Committee acknowledged the positive response from the updated decarbonisation targets under Climate Vision 2050 and the Committee will remain committed in ensuring the Group will remain on course in delivering on the strengthened climate targets.

A handwritten signature in black ink, appearing to read 'R. Lancaster', written in a cursive style.

Richard Lancaster

Chairman, Sustainability Committee
Hong Kong, 28 February 2022

Nomination Committee Report

Members


The Members of the Nomination Committee are appointed by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:

Mr Nicholas C. Allen
(Independent Non-executive Director) (the Chairman)

Ms May Siew Boi Tan
(Independent Non-executive Director)

The Hon Sir Michael David Kadoorie
(Non-executive Director)

The Committee comprises a majority of Independent Non-executive Directors.

[Biographies](#) of the Members are set out in Board of Directors on page 98 and on our website. 

In addition to the Members, the regular attendees at the Committee's meeting 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 the Committee met once during the reported period (full-year 2021 and for 2022 up to the date of this Report) (the Period).

Highlights of the Committee's Work

Continued Focus on Board and Board Committees Composition and Succession

The long-term succession planning of the Board and Committees continued to be the focus of the Committee for 2021. The Committee considered the refreshment for the membership of the Board and Committees in both the short and medium term; having regard to a number of issues including long-serving Independent Non-executive Directors, the retirement age guideline threshold for some Directors, the skillsets required from Directors for CLP's strategic objectives, and the expectation for higher gender diversity on the Board and Board Committees. The Committee recognises that effective succession planning for the Board and Committees takes time and it involves identifying the strategic objectives for the Board and Committees, the search process and a gradual transition of the Board and Committees' membership. The Committee has endorsed a succession plan that would involve, potentially, recruiting two to three Independent Directors in the coming two years.

Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Board nominations and Board refresh	<p>The Committee considered and endorsed the nomination of Directors for re-election by shareholders at the 2022 AGM. The Committee paid particular attention to the proposed re-election for Sir Rod Eddington. Sir Rod, at age 72, is subject to the retirement requirement under CLP's retirement age guideline; however, as provided for under the guideline, this requirement may be waived by the Board if the Board considers such Director has the skills, experience or capabilities that cannot be replaced at the relevant time. The Committee considered this at length and endorsed for the Board's approval of the waiver of the retirement age requirement. In doing so, the Committee had due regard to the following:</p> <ul style="list-style-type: none">◆ Sir Rod has a unique background with in-depth experience in Hong Kong and Australia and a thorough understanding of the strategic issues concerning the CLP Group and, in particular, EnergyAustralia, which is now undergoing a period where it will need to address a number of fundamental issues and challenges for the business;◆ The Board would greatly benefit from Sir Rod's continued service on the Board at this very important juncture, with Sir Rod's insightful perspectives of the Australian business, the political and regulatory landscape and the strategic objectives of CLP and EnergyAustralia; and◆ The alternative of replacing Sir Rod with a new Independent Director to match the skillsets required for these strategic objectives would be most challenging having regard to the complexities of the Australian business and regulatory environment and the appreciation of CLP's investment thesis and approach in the Group's overseas business and EnergyAustralia. <p>During 2021, Mr Geert Peeters retired as an Executive Director. On succession planning, an independent search process for potential Director candidate(s) had commenced.</p>

Areas of Focus	
Board Committees refresh	<p>The Committee considered the evolving demands of the Board Committees and having regard to the unique experience, expertise and background of all Directors, the Committee reviewed the Board Committees composition and no change was proposed in 2021, except for the change in the Provident & Retirement Fund Committee and the Finance & General Committee due to the change of role of Mr Geert Peeters and his subsequent retirement.</p>
Board Diversity Policy and diversity aspects of the Board	<p>Having regard to the recent amendment to the Corporate Governance Code, management proposed to revise the Board Diversity Policy to highlight CLP's views on independence and the approach to receiving views and input from Directors. The Committee reviewed and endorsed the amendments to the Board Diversity Policy for adoption by the Board.</p> <p>The Committee also considered management's findings on the annual review of the existing diversity aspects of the Board for 2021. It was noted that the continuous Board refresh exercise enhanced various aspects of the Board's diversity in terms of gender diversity, length of service, age distribution, independence and alignment between the Group's strategic direction and Directors' skills and experience.</p> <p>Full analysis of the diversity aspects of the Board can be found in the Corporate Governance Report on pages 125 and 126.</p>
Internal Board review	<p>The internal Board review was put for the Committee's consideration. The Committee reviewed and endorsed the questionnaire for the Board review. The internal Board review was through a survey and covered 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.</p>
Regulatory-related	<p>The Committee undertook the review and assessment of the following regulatory-related matters:</p> <ul style="list-style-type: none"> ◆ the nomination of Directors for re-election at the 2022 AGM, with assessment on the tenure, time commitment, overboarding and cross-directorships or significant links of the Independent Non-executive Directors; ◆ the independence of Independent Non-executive Directors; ◆ the training and continuous professional development of Directors; and ◆ Directors' time commitment and the contribution required from Directors to discharge their responsibilities.

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 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 CEO; 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

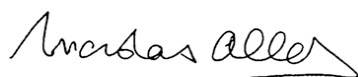
The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference. The objectives of the Committee are to recommend to the Board on the structure, size and composition of the Board and on the nomination of Directors, 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 continue to play a leading role in planning for the Board's succession and refreshment. The Committee is committed to ensuring that the Board will have the appropriate level of diversity and independence and the right composition that aligns strategically with the organisation.



Nicholas C. Allen

Chairman, Nomination Committee
Hong Kong, 28 February 2022

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 Directors and as delegated by the Board, the determination of the remuneration of the 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 covering the full-year 2021 and for 2022 up to the date of this Report (the Period) has been reviewed and approved by the HR&RC.

As stated in Note 32(C) to the Financial Statements on page 278, 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 2021”;
- ▶ “Change of Remuneration – Executive Directors and Senior Management in 2021”;
- ▶ “Executive Directors – Remuneration in 2021”;
- ▶ “Total Directors’ Remuneration in 2021”;
- ▶ “Senior Management – Remuneration in 2021”; and
- ▶ “The Five Highest Paid Individuals in 2021”.

Members

The Members of the HR&RC are appointed by CLP Holdings’ Board of Directors. This Committee comprised the following Members during the Period:

Mr Nicholas C. Allen
(Independent Non-executive Director) (the Chairman)


Mrs Fanny Law
(Independent Non-executive Director)

Mr William Mocatta
(Non-executive Vice Chairman)

Ms May Siew Boi Tan
(Independent Non-executive Director)

Mrs Zia Mody
(Independent Non-executive Director)

There is no Executive Director on the HR&RC and the HR&RC comprises a majority of Independent Non-executive Directors.

[Biographies](#) of the Members are set out in Board of Directors on page 98 and on our website. 

In addition to the Members, the regular attendees at the HR&RC meetings include:

- ◆ Chief Executive Officer – Mr Richard Lancaster;
- ◆ Chief Human Resources Officer – Ms Eileen Burnett-Kant; and
- ◆ Group General Counsel & Chief Administrative Officer – Mr David Simmonds.

Meetings and Attendance

During the Period, the HR&RC held four meetings in 2021 and one meeting in 2022.

Highlights of the Committee's Work

Developing Organisation Capability to align with Business Strategy

This year, the Committee spent a considerable amount of effort and time in reviewing and discussing the plan to transition and transform the organisation with the objective of embracing the challenges and opportunities associated with the energy transition. The Committee's work on this included an additional and dedicated meeting to discuss with management on the proposed plan.

The following table provides an overview of how the Committee spent its time during the Period:

	2021				2022
	Feb	Jul	Oct	Nov	Feb
Performance and Remuneration Review	■			■	■
Succession Planning and Organisation Capability Development		■		■	
People Strategy and Organisation Development		■	■		■
Staff Policies and Benefits		■			
Governance	■			■	■

Responsibilities and Summary of 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.

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the HR&RC and how it discharged its responsibilities for the Period.

Areas of Focus	
Performance and Remuneration Review	
Remuneration review	<p>The Committee scrutinised and approved:</p> <ul style="list-style-type: none"> ◆ Group performance for 2020 and 2021 and Group targets for 2021 and 2022; ◆ 2020 and 2021 organisation performance for CLP Power Hong Kong, China and Apraava Energy, and targets for 2021 and 2022; ◆ Base pay for 2021 and 2022 for Hong Kong payroll staff, China and Apraava Energy; ◆ CEO's remuneration; and ◆ Remuneration of direct reports to the CEO, including annual incentive payments for 2020 and 2021 and pay review for 2021 and 2022.

Areas of Focus	
Succession Planning and Organisation Capability Development	
Enterprise leadership succession	The Committee reviewed and endorsed the succession plan for the enterprise leadership team and reviewed the initiatives to accelerate the readiness and capability for the leadership team's succession.
Talent development	The Committee reviewed and considered management's proposed plans and initiatives in ensuring that CLP has the organisation capability to implement the corporate strategy.
Diversity and inclusion	The Committee reviewed CLP's progress on the Group's gender diversity and inclusion plan, and noted that the sustained solid progress made towards the Group-wide related diversity and inclusion goals. The Committee also considered the opportunity for further improvement and to accelerate the progress on diversity and inclusion.
People Strategy and Organisation Development	
People Strategy and Organisation Development	The Committee reviewed management's long-term plans and initiatives to ensure sufficient organisation capability to enable the delivery of corporate strategy including operating model, talent development and culture.
Culture and engagement	The Committee discussed the outcome of the employee listening survey. In noting the strong frontline engagement, the Committee also considered the opportunities for improvement regarding employee experience and future culture.
Staff Policies and Benefits	
Human resources policies	The Committee reviewed the Human Resources Policy, and the key areas that have been strengthened, such as, health and wellbeing, family-friendly and flexible working, talent development and sustainability and governance.
Home Loan scheme	The Committee reviewed the progress of CLP's Home Loan scheme and endorsed the continuation of the scheme which is intended to support eligible staff in Hong Kong to purchase their first home.
Governance	
Training and professional development of Senior Management	The Committee considered the activities undertaken in 2020 and 2021 and the planned activities for 2021 and 2022 in respect of the training and continuous professional development of Senior Management.
Executive remuneration governance and disclosure	<p>The Committee reviewed and approved the 2020 and 2021 HR&RC Reports.</p> <p>The Committee took note of management's findings from their regular reviews on the governance and disclosure requirements for executive remuneration and the associated trends and endorsed management's recommendation to strengthen CLP's remuneration disclosure.</p>

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

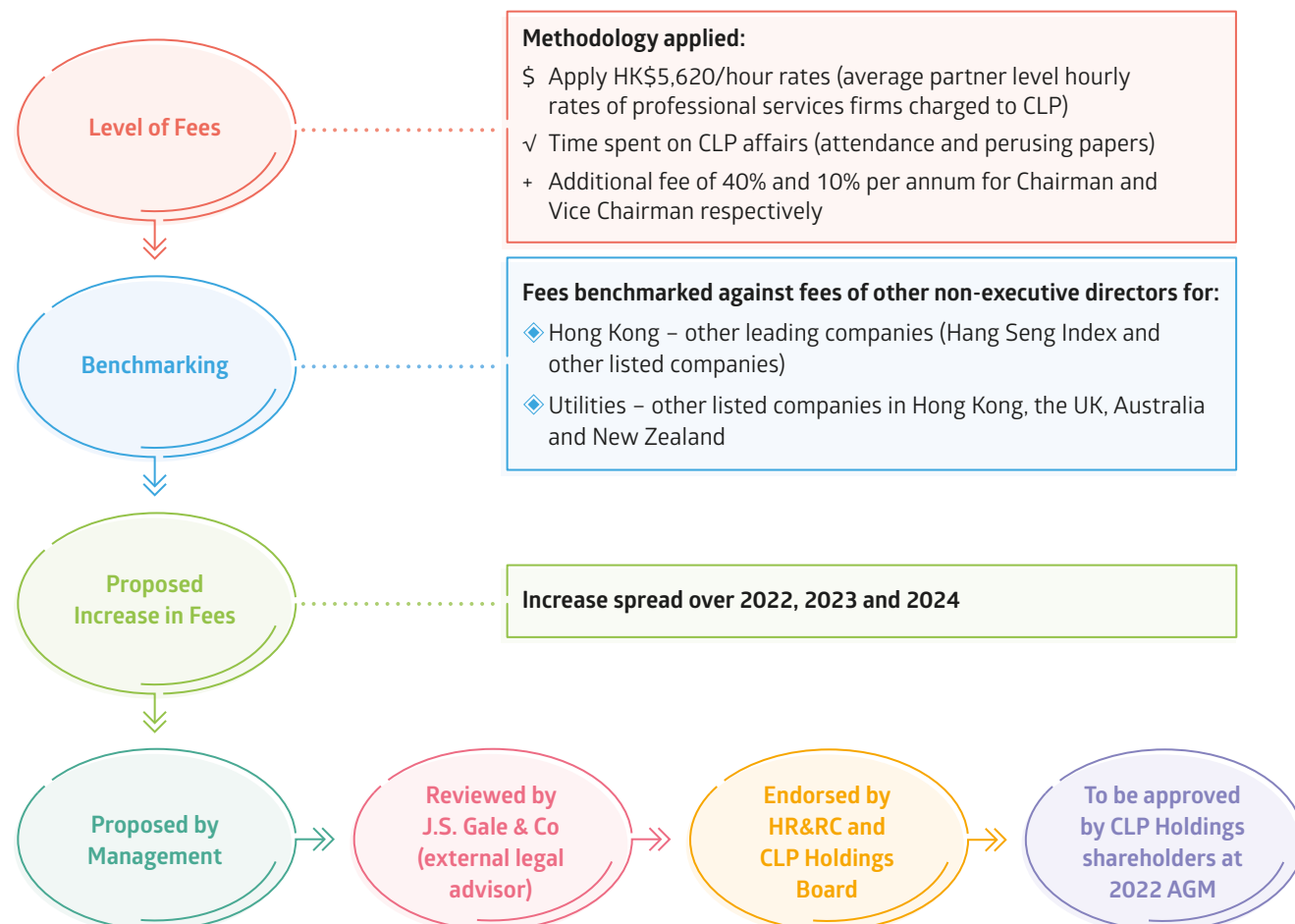
The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not employees of the Company.

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 Corporate Governance Code and associated Listing Rules.

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 oversee the running of 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 2022 (the 2022 Review). The methodology adopted in the 2022 Review is the same as that used in the previous reviews and as explained to shareholders in the CLP Code.

The 2022 Review and methodology applied are summarised as follows:




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Having regard to the possible year-to-year fluctuations in the time spent by Non-executive Directors (based on the data CLP has collected since 2004), it has been recommended to maintain the approach of the 2019 Review by taking the average time spent by Non-executive Directors over a longer duration of three periods (i.e. nine years), rather than over the three years immediately preceding the review, in order to smooth out the effect of short-term fluctuations in workload.

The following are the key observations from the 2022 workload review over the nine-year period as against the 2019 Review:

- ◆ there has been a slight increase in the working hours of the Board;
- ◆ moderate increases were recorded in the working hours of the Audit & Risk Committee, Human Resources & Remuneration Committee, Sustainability Committee and Nomination Committee;
- ◆ the working hours of the Finance & General Committee decreased; and
- ◆ there was a slight decrease in the working hours of the Provident & Retirement Fund Committee.

Accordingly, the indicative fees show a slight reduction in fees for the Finance & General Committee. This is driven by the reduction in the average working hours of the Committee over the nine-year period. Over the review period, this reduction can be attributed to the delivery of more succinct board papers and enhanced efficiency in the Committee's work especially from the period of 2017 onwards. Although there is a reduction in the average working hours over the nine-year period, in respect of the more recent three-year period, the working hours have increased over the preceding two-year period (for full details please refer to the [2022 Review](#) available on the CLP website). This is in line with the expected pick up in workload for the Finance & General Committee in the 2019-2021 period and is anticipated to continue in the coming years. In these circumstances, Management considers it appropriate to hold the current fees for the Financial & General Committee unchanged. 


There is also a slight decrease in the working hours of the Provident & Retirement Fund Committee, and Management propose that a nominal fee be continued to be maintained for this Committee which, in any event, is less than the indicative fees for this Committee based on its working hours.

The review methodology results in a modest increase in the proposed fees of the Audit & Risk Committee, Human Resources & Remuneration Committee, Sustainability Committee and Nomination Committee. Management considers that these increases are well justified because of the increasing demands on these Committees in recent years; for the Audit & Risk Committee, in terms of increased oversight of risk management; for the Human Resources & Remuneration Committee, in terms of succession planning (both in the ordinary course and in anticipation of the business transformation-related changes and demands such as innovation and technology); for the Sustainability Committee, in terms of the rising need to manage the longer-term emerging sustainability issues concerning the Group, in particular, on climate change; and for the Nomination Committee, in terms of the growing demand on the continuous review of the composition, refreshment and independence of the Board, the monitoring of the nomination criteria and the ongoing application of the Board Diversity Policy.

The proposed fees represent a justifiable and measurable increase on those paid between 2019 and 2021. The proposed increase in the hourly rate of HK\$220 is slightly less than the increase in Hong Kong's Composite Consumer Price Index over the past three years. The increase is in line with an ongoing increase in the workload shouldered by the Board and Board Committees in recent years.

We have applied the methodology in a conservative manner – the fee review takes place every three years and the methodology takes into account past and present data, rather than any forward-looking projections. In benchmarking fees against selected companies, we have not assumed that there will be any ongoing increases in directors' fees paid by those companies.

As with the 2013, 2016 and the 2019 Reviews, it is recommended to spread the proposed increase over a period of three years from 2022 to 2024, as opposed to a full increase in the first year.

In line with our policy that no individual or any of his or her close associates should determine his or her own remuneration, the level of fees set out in the following table was proposed by management, reviewed by J.S. Gale & Co (JSG), external legal advisor, and will be put for approval by our shareholders at the AGM on 6 May 2022. JSG have provided an opinion to the effect that the methodology adopted by CLP is reasonable and appropriate, has been fairly and consistently applied in all material respects and that the resulting proposed level of fees is reasonable and appropriate having regard to current corporate governance practices in Hong Kong and the UK. In this respect, CLP's approach goes beyond that required by laws or regulations in Hong Kong or the provisions of the Corporate Governance Code. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the [2022 Review and the opinion of JSG on that 2022 Review](#) are placed on CLP's website. 

	Current Annual Fees HK\$	Proposed Annual Fees (w.e.f. 7 May 2022) HK\$	Proposed Annual Fees (w.e.f. 7 May 2023) HK\$	Proposed Annual Fees (w.e.f. 7 May 2024) HK\$
Board				
Chairman	887,700	888,200	888,700	889,200
Vice Chairman	697,500	697,900	698,300	698,700
Non-executive Director	634,100	634,400	634,800	635,200
Audit & Risk Committee				
Chairman	673,100	688,200	703,700	719,500
Member	481,900	492,200	502,700	513,500
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	140,700	142,300	143,900	145,500
Member	99,800	101,300	102,800	104,300
Sustainability Committee				
Chairman	141,500	145,500	149,700	154,100
Member	101,900	104,400	107,000	109,600
Nomination Committee				
Chairman	40,200	41,100	42,100	43,100
Member	28,700	29,400	30,100	30,800
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 has been maintained for the Chairman and Members of the Provident & Retirement Fund Committee.

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

Non-executive Directors – Remuneration in 2021 (Audited)

The fees paid to each of our Non-executive Directors in 2021 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 a moderate increase in total Directors' fees compared to 2020, primarily due to an increase in the level of Non-executive Directors' fees which took effect on 7 May 2021 and the remuneration paid to the two Directors appointed in October 2020 for their full year of service during 2021.

In HK\$	Board	Audit & Risk Committee	Finance & General Committee	HR&RC	Sustainability Committee	Nomination Committee	Provident & Retirement Fund Committee	Total 2021	Total 2020
Non-executive Directors									
The Hon Sir Michael David Kadoorie	872,960 ^(C)	-	-	-	-	25,731	-	898,691	848,930
Mr William Mocatta ¹	685,901 ^(VC)	-	449,900 ^(C)	94,898	-	-	14,000 ^(C)	1,244,699	1,198,099
Mr J. A. H. Leigh	623,571	-	-	-	-	-	-	623,571	593,502
Mr Andrew Brandler	623,571	-	319,400	-	99,035	-	-	1,042,006	1,003,831
Mr Philip Kadoorie	623,571	-	-	-	99,035	-	-	722,606	684,431
Independent Non-executive Directors									
Sir Rod Eddington	623,571	-	319,400	-	-	-	-	942,971	912,902
Mr Nicholas C. Allen	623,571	647,900 ^(C)	319,400	133,485 ^(C)	99,035	36,058 ^(C)	-	1,859,449	1,655,869
Mrs Fanny Law	623,571	463,501	-	94,898	99,035	-	-	1,281,005	1,177,984
Mrs Zia Mody	623,571	-	-	94,898	-	-	-	718,469	674,903
Ms May Siew Boi Tan	623,571	463,501	319,400	94,898	99,035	25,731	-	1,626,136	1,515,437
Ms Christina Gaw	623,571	-	319,400	-	99,035	-	-	1,042,006	202,764
Mr Chunyuan Gu	623,571	463,501	319,400	-	-	-	-	1,406,472	269,581
Mr Vernon Moore ²	-	-	-	-	-	-	-	-	530,150
Mr Vincent Cheng ²	-	-	-	-	-	-	-	-	356,274
							Total	13,408,081	11,624,657

Notes:

- 1 Mr William Mocatta received HK\$300,000 as fee for his service on the board of CLP Power Hong Kong for each of 2020 and 2021.
- 2 The fees paid to Mr Vernon Moore and Mr Vincent Cheng (former Directors) were made on a pro rata basis in respect of their services up to 8 May 2020; and these are included in the table solely for the purpose of comparing the total fees paid to Non-executive Directors in 2020 with those in 2021.

▲ Change of Remuneration – Executive Directors and Senior Management in 2021 (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 2021 are set out in the tables on page 178 (Executive Directors) and pages 185 and 186 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2021 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 while non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the tables on page 178 and pages 185 and 186 the “Total Remuneration” column for 2021 includes the following recurring items:

- (i) base compensation, allowances & benefits paid;
- (ii) 2021 annual incentive accrued based on previous year’s Company performance and the 2020 annual incentive adjustment. The adjustment is the difference between the actual annual incentive paid in 2021 for 2020 performance and the annual incentive accrual for 2020;
- (iii) the 2018 long-term incentive award paid in January 2021 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2017 paid in 2020). Approximately 1% of the increase in the value of the phantom shares portion of 2018 long-term incentive payments resulted from the change in CLP Holdings’ share price between 2018 and 2020, with dividends reinvested; and
- (iv) provident fund contribution made.

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

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

Performance Outcomes for the Year

In considering performance outcomes against the balanced scorecard of measures set for the 2021 performance year, the Committee reviewed progress made against a mix of financial, operational, safety, environmental, internal control and objectives reflecting strategic priorities and long-term sustainability.

In 2020, the Committee awarded a performance outcome reflecting resilient financial and operational performance, with improved safety and major project delivery despite unprecedented external challenges.

In 2021, the Committee balanced solid financial and operational performance in continued challenging conditions, improved safety, pleasing progress on major decarbonisation projects, with the need to accelerate progress on business transformation and growth initiatives. Having considered these outcomes, the Committee decided to award a lower performance outcome than in 2020. The Committee considers that this outcome appropriately aligns management remuneration with shareholder outcomes.


Executive Directors – Remuneration in 2021 (Audited)

The remuneration paid to the Executive Directors of the Company in 2021 was as follows:

	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				
2021							
CEO (Mr Richard Lancaster)	10.4	9.4	5.4	2.7	27.9	-	27.9
Group Director & Chief Strategy & Transformation Officer (Mr Geert Peeters) ³	4.6	3.9	4.1	0.7	13.3	13.2	26.5
	15.0	13.3	9.5	3.4	41.2	13.2	54.4

	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				
2020							
CEO (Mr Richard Lancaster)	10.1	7.6	6.3	2.6	26.6	-	26.6
Executive Director & Chief Financial Officer (Mr Geert Peeters) ³	7.8	5.9	5.0	1.4	20.1	-	20.1
	17.9	13.5	11.3	4.0	46.7	-	46.7

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 (2021 accrual and 2020 adjustment) and (b) long-term incentive (payment for 2018 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 2021 performance will be made in March 2022. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2021. [Details](#) of these will be published on the CLP website at the time that the 2021 Annual Report is published. 
- Mr Geert Peeters was appointed as Group Director & Chief Strategy & Transformation Officer with effect from 1 April 2021. He stepped down as Executive Director of the Company with effect from 31 July 2021 and retired from the Company as Group Director & Chief Strategy & Transformation Officer and a member of the Senior Management on 31 August 2021 for health reasons. His remuneration covered the period from 1 January 2021 to 31 August 2021. The annual incentive for 2021 was made on a pro rata basis for his service up to 31 August 2021. The Other Payments of HK\$13.2 million included (a) accelerated payment of long-term incentive awards for 2019, 2020 and 2021 (HK\$12.6 million) and (b) encashment of untaken annual leave (HK\$0.6 million).

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 2021 (Audited)

The total remuneration of Non-executive and Executive Directors in 2021 was:

	2021 HK\$M	2020 HK\$M
Fees	13.4	11.6
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	15.0	17.9
Performance Bonus ²		
– Annual Incentive	13.3	13.5
– Long-term Incentive	9.5	11.3
Provident Fund Contribution	3.4	4.0
Non-recurring Remuneration Items		
Other Payments	13.2	–
	67.8	58.3

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 178 for Executive Directors.
- 2 Refer to Note 2 on Performance Bonus on page 178 for Executive Directors.

Of the total remuneration paid to Directors, HK\$10.2 million (2020: HK\$11.0 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 104 and 105.

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.

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 is 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 180 to 184. The pay structure of Managing Director - EnergyAustralia is aligned with Australian market practice and is addressed on pages 183 and 184.

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 2021.	Annual cash payment. Accounted for 34% of potential total remuneration in 2021.	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 2021.	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 2021.
Approach	Set with reference to local and international comparators, role scope and experience, and wider workforce considerations. Intent to align target Total Remuneration to between median and upper quartile of the reference market.	Balanced consideration by the HR&RC of a range of quantitative and qualitative performance measures including: WHAT was achieved – Financial and Operational performance HOW it was achieved – Safety, Environmental and Internal Control performance ADDITIONAL OBJECTIVES reflecting strategic priorities and long-term sustainability of CLP's business model, people, environmental impact and community acceptance.	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.	

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.
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.

Annual Incentive	
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 - Climate risk stewardship: progress in meeting science-based greenhouse gas emissions intensity targets and phasing out coal-based assets, as set out in Climate Vision 2050 - Stewardship of other sustainability risks including the social and economic impacts of energy transition, health and wellbeing, and diversity and inclusion - 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 five dimensions: customer and community engagement, business model, asset development, digitalisation, and culture and ways of working.</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 Managing Director – EnergyAustralia (MD-EA)'s potential total remuneration in 2021.
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.

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	<p>The EnergyAustralia Board determines the level of incentive at its absolute discretion considering key financial, operational and strategic performance indicators.</p> <p>Performance is assessed over a financial year. The actual payout of Ms Tanna's annual incentive in 2021 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.</p>
Maximum opportunity and alignment with wider workforce	Maximum annual incentive opportunity is 150% of FAR which accounted for 43% of MD-EA's potential total remuneration in 2021. 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	<p>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.</p> <p>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.</p> <p>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 MD-EA to repay a sum equal to the cash amount paid to him / her.</p>
Maximum opportunity and alignment with wider workforce	Maximum LTI opportunity is equal to 100% of FAR which accounted for 28% of MD-EA's potential total remuneration in 2021. 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 2021 (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 2021”).

	Recurring Remuneration Items					Non-recurring Remuneration Items		Total HK\$M
	Base Compensation, Allowances & Benefits ¹ HK\$M	Performance Bonus ²		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M		
		Annual Incentive HK\$M	Long-term Incentive HK\$M					
2021								
Current:								
Chief Financial Officer (Mr Nicolas Tissot) ³	4.8	4.1	-	0.9	9.8	-	-	9.8
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	4.9	4.4	2.6	1.2	13.1	-	-	13.1
Managing Director – CLP Power (Mr Chiang Tung Keung)	5.8	5.3	3.0	1.5	15.6	-	-	15.6
Managing Director – China (Mr Chan Siu Hung)	4.8	4.3	2.5	1.2	12.8	-	-	12.8
Managing Director – EnergyAustralia (Mr Mark Collette) ⁴	3.6	3.7	-	0.1	7.4	-	-	7.4
Managing Director – India (Mr Rajiv Mishra) ⁵	4.2	3.3	2.1	1.1	10.7	-	-	10.7
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	5.7	5.1	2.9	1.4	15.1	-	-	15.1
Chief Corporate Development Officer (Ms Quince Chong)	5.6	5.1	2.9	1.2	14.8	-	-	14.8
Chief Human Resources Officer (Ms Eileen Burnett-Kant) ⁶	4.9	4.4	-	0.8	10.1	0.2	-	10.3
Former:								
Chief Operating Officer (Mr David Smales) ⁷	5.3	4.8	-	1.0	11.1	9.8	-	20.9
Managing Director – EnergyAustralia (Ms Catherine Tanna) ⁸	8.0	9.5	9.3	0.1	26.9	1.2	-	28.1
Total	57.6	54.0	25.3	10.5	147.4	11.2	-	158.6

Notes 1 to 8 are set out on page 186.

Of the total remuneration paid to Senior Management, HK\$47.5 million (2020: HK\$42.6 million) has been charged to the SoC operation.

Senior Management – Remuneration in 2021 (Audited) (continued)

	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				
2020							
Group Director & Vice Chairman							
– CLP Power Hong Kong	4.8	3.6	3.1	1.2	12.7	-	12.7
Managing Director – CLP Power	5.6	4.2	3.1	1.5	14.4	-	14.4
Managing Director – China	4.7	3.5	2.9	1.2	12.3	-	12.3
Managing Director – India ⁵	4.1	3.3	2.2	1.0	10.6	-	10.6
Group General Counsel & Chief Administrative Officer	5.5	4.1	3.5	1.4	14.5	-	14.5
Chief Corporate Development Officer	5.5	4.1	3.5	1.2	14.3	-	14.3
Chief Human Resources Officer ⁶	4.8	3.8	-	0.7	9.3	-	9.3
Chief Operating Officer (Mr David Smales) ⁷	5.5	4.3	-	1.0	10.8	0.2	11.0
Managing Director – EnergyAustralia (Ms Catherine Tanna) ⁸	10.6	9.9	9.5	0.1	30.1	-	30.1
Total	51.1	40.8	27.8	9.3	129.0	0.2	129.2

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 178.
- 2 Refer to Note 2 on Performance Bonus on page 178. For MD-EA, 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 Nicolas Tissot joined the Company on 7 September 2020. He was appointed as Chief Financial Officer and has become a member of Senior Management with effect from 1 April 2021. His remuneration covered the period from 1 April 2021 to 31 December 2021.
- 4 Mr Mark Collette was appointed as Managing Director – EnergyAustralia with effect from 1 July 2021. His remuneration covered the period from 1 July 2021 to 31 December 2021. The remuneration of Mr Mark Collette is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.
- 5 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 = 8.9 Rupees from 1 October 2019 to 30 September 2021. The arrangement has been extended for two years from 1 October 2021 to 30 September 2023 at an exchange rate of 1 HKD = 9.5 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.
- 6 Ms Eileen Burnett-Kant joined the Company on 3 September 2019. The Other Payments reflected the relocation payments of HK\$0.2 million paid in 2021.
- 7 Mr David Smales left the Company on 10 December 2021. The annual incentive for 2021 was made on a pro rata basis for his service up to 10 December 2021. The Other Payments of HK\$9.8 million included (a) accelerated payment of long-term incentive awards for 2019, 2020 and pro-rated 2021 (HK\$6.7 million), (b) encashment of untaken annual leave (HK\$0.4 million) and (c) payment-in-lieu of notice (HK\$2.7 million). (2020: The Other Payments of HK\$0.2 million reflected the relocation expenses).
- 8 Ms Catherine Tanna stepped down as Managing Director – EnergyAustralia with effect from 1 July 2021 and retired on 13 August 2021. Her remuneration covered the period from 1 January 2021 to 13 August 2021. The Other Payments of HK\$1.2 million included encashment of untaken annual leave and long service leave. The long-term incentive awards for 2019, 2020 and 2021 are unvested subject to the EA LTI plan scheme rules. 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.

▲ The Five Highest Paid Individuals in 2021 (Audited)

The five highest paid individuals in the Group included two Directors (2020: two Directors) and three members of Senior Management (2020: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2021 HK\$M	2020 HK\$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	34.1	39.6
Performance Bonus ²		
– Annual Incentive	32.9	31.7
– Long-term Incentive	21.8	27.4
Provident Fund Contribution	6.0	7.0
Non-recurring Remuneration Items		
Other Payments	24.2	–
	119.0	105.7

Notes:

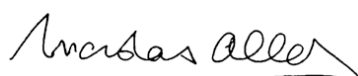
- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 178.
- 2 Refer to Note 2 on Performance Bonus on page 178.

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

	Number of Individuals	
	2021	2020
HK\$14,000,001 – HK\$14,500,000	–	1
HK\$14,500,001 – HK\$15,000,000	–	1
HK\$15,500,001 – HK\$16,000,000	1	–
HK\$20,000,001 – HK\$20,500,000	–	1
HK\$20,500,001 – HK\$21,000,000	1	–
HK\$26,000,001 – HK\$26,500,000	1	–
HK\$26,500,001 – HK\$27,000,000	–	1
HK\$27,500,001 – HK\$28,000,000	1	–
HK\$28,000,001 – HK\$28,500,000	1	–
HK\$30,000,001 – HK\$30,500,000	–	1

Looking Ahead

The HR&RC remains committed to its core functions of the oversight of remuneration policies and levels as well as the work on succession planning and shaping the organisation's culture. The Committee acknowledges that management will continue to work on the plan to transition and transform the organisation and this will also be a key focus of the Committee.



Nicholas C. Allen

Chairman, Human Resources & Remuneration Committee
Hong Kong, 28 February 2022

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2021.

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 (2020: HK\$1.89) per share totalling HK\$4,775 million (2020: HK\$4,775 million) during the year.

On 28 February 2022, the Directors declared the fourth interim dividend of HK\$1.21 (2020: HK\$1.21) per share totalling HK\$3,057 million (2020: HK\$3,057 million).

This fourth interim dividend will be paid on 24 March 2022.

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 7)◆ Chairman's Statement (page 12)◆ CEO's Strategic Review (page 16)◆ Financial Review (page 24)◆ Business Performance and Outlook (page 38)◆ Capitals (page 64)
2 Description of the principal risks and uncertainties facing the Group	<ul style="list-style-type: none">◆ Risk Management Report (page 138)◆ Financial Risk Management (page 284)
3 Particulars of important events affecting the Group that have occurred since the end of the 2021 financial year	<ul style="list-style-type: none">◆ Chairman's Statement (page 12)◆ CEO's Strategic Review (page 16)◆ Business Performance and Outlook (page 38)◆ Capitals (page 64)◆ Risk Management Report (page 138)
4 Outlook of the Group's business	<ul style="list-style-type: none">◆ Chairman's Statement (page 12)◆ CEO's Strategic Review (page 16)◆ 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 12)◆ CEO's Strategic Review (page 16)◆ Business Performance and Outlook (page 38)◆ Capitals (page 64)
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 12)◆ CEO's Strategic Review (page 16)◆ Business Performance and Outlook (page 38)◆ Capitals (page 64)◆ Governance (page 96)◆ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)

Board's Statement on ESG

The following is a statement from the Board of Directors explaining the Board's oversight of ESG issues and how CLP approaches the management of ESG issues.


Governance structure

The CLP Board has overall responsibility for CLP's ESG reporting and sustainability, and governance of sustainability is integrated into our corporate governance structure throughout the Group. The Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues. In 2021, the Sustainability Committee's role has been strengthened with a further focus on the impact of longer-term sustainability issues on the Group's strategy. It is supported by the Sustainability Executive Committee. The Audit & Risk Committee, meanwhile, retains oversight of material risks and assurance of the ESG data. For further details on the governance structure, please see "CLP's Approach to ESG Reporting" in the Corporate Governance Report.

How does CLP approach and manage material ESG issues?

CLP regularly reviews its strategic priorities against ESG risks and opportunities to ensure they remain fit-for-purpose. The COVID-19 pandemic has created significant social and economic disruption, led to myriad challenges and opportunities, and accelerated pre-existing trends.

In late 2021, CLP revised our approach to materiality by conducting our first double materiality assessment. This is based on best practice from global reporting standard setters and allows CLP to better reflect ESG risks and opportunities in its business strategy from both a financial and an impact perspective:

- ◆ Financially material topics, which potentially create or erode enterprise value, are covered in this Annual Report and are for reporting purposes under the Hong Kong Stock Exchange ESG Reporting Guide. The key audience is providers of financial capital.
- ◆ Impact material ESG topics, which reflect significant positive or negative impacts on people, the environment and the economy, are covered in the [Sustainability Report](#). They address the concerns of a diverse range of stakeholders wanting to understand CLP's positive and negative contributions to sustainable development. 

A key outcome of the process was the prioritisation of four financially material topics and three impact material topics. The CLP Sustainability Executive Committee considered the financially material topics to be most likely to create or erode enterprise value. These four topics are: (i) shaping and executing the transition to net zero; (ii) pursuing growth opportunities in Hong Kong and the Greater Bay Area; (iii) building an agile and innovative workforce; and (iv) reinforcing resilience in a changing operating environment. Further details can be found on Sustainability as Our Business Strategy on page 22.

The assessment process was conducted by management with active executive-level participation. These topics were then presented to the Sustainability Committee for their analysis and endorsement. For further details on how other ESG issues are addressed by the Sustainability Committee, please see the Sustainability Committee Report.

Climate Vision 2050

Climate change remains one of the material topics and our Climate Vision 2050 publication is a pledge from CLP on our climate action which sets out clear climate-related targets for the Group. In 2021, we strengthened our Climate Vision 2050 targets as outlined extensively in this Annual Report, the [Sustainability Report](#) and Climate-related Disclosures Report. The Board approved these long-term commitments after a thorough strategic review involving the Sustainability Committee and the Sustainability Executive Committee. 

The Board recognises that climate change is one of the most material risks to CLP's business and will continue to provide oversight to ensure that the Group will continue to act in a responsible manner and will be able to pursue the opportunities that may arise from the energy transition.

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\$23,671 million as at 31 December 2021 (2020: HK\$24,308 million).

Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2021 amounted to HK\$58,215 million (2020: HK\$54,348 million). Particulars of borrowings are set out in Note 23 to the Financial Statements and on pages 67 to 73 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 0.7% of the Group's total assets as at 31 December 2021.


Equity-linked Agreements

For the year ended 31 December 2021, the Company did not enter into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK\$15,085,000 (2020: HK\$27,088,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2021 and for the previous four financial years are on page 300. 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 104 and 105. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 170.

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 44.76% 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 11.95% 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 10.17% 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 8.71% from PetroChina International South China Co., Ltd. (PCISC) in which the Group has no interest. CAPCO purchases natural gas from PCISC for its electricity generation.
- 4 8.36% from CNOOC China Limited (CNOOC) in which the Group has no interest. CAPCO purchases natural gas from CNOOC for its electricity generation.
- 5 5.57% 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.

As at 31 December 2021, 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

As at the date of this Report, the Directors of the Company, who held their office for the full year ended 31 December 2021, together with their biographical details are set out on pages 98 to 103 of this Annual Report. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 170.

Mr Geert Peeters stepped down as an Executive Director on 31 July 2021 due to health reasons. Mr Peeters 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, 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, Mrs Zia Mody, Ms May Tan, Mr Philip Kadoorie, Sir Rod Eddington and Mr William Mocatta will retire by rotation at the 2022 AGM.

Sir Rod Eddington, who has served the Board for more than 16 years, reached the age of 72 before the 2022 AGM. The Board, based on the recommendation and endorsement of the Nomination Committee (please see the Nomination Committee Report on page 166), decided to waive the retirement age guideline in CLP Board Diversity Policy in relation to the re-election of Sir Rod Eddington; and concluded that Sir Rod is still independent and should be recommended for re-election. Details of the Board's considerations are included in the Notice of the 2022 AGM.

All the retiring Directors, being eligible, offer themselves for re-election. None of the Directors offering themselves for re-election at the 2022 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 2021, 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 2021 and up to the date of this Report (the Period), 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 Period are available on the CLP website. 

Permitted Indemnity Provisions

During the Period, 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) (for reference, 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 2021, this was HK\$1,522 million. The annual aggregate cap was approved by the Board of Directors in December 2020 and subsequently disclosed in the announcement dated 4 January 2021. The project level caps of the CCTs for 2021 set out in the table on pages 192 to 203 are for reference only and were used to derive the annual aggregate cap of HK\$1,522 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 2021, unless otherwise stated, represented the actual transaction values of the relevant CCTs in the full twelve months of 2021.

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 2021 HK\$M
1 CLP Power Hong Kong electricity sales to Mainland China						
1.1	<p>Energy Economy Interchange Agreement</p> <p>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 2nd supplemental agreement was entered into under which the expiry date remains unchanged. On 23 December 2021, a 3rd supplemental agreement was entered into to further extend the term to 31 December 2023.</p>	CLP Power Hong Kong	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (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.	<p>The consideration will, under circumstances prescribed in the agreement, be settled either by 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.</p> <p>For the energy transfer settled by cash payment, it is based on the number of kWh sold multiplied by an arm's length tariff (unit rate of energy transfer) agreed between the parties. In addition, under the standby capacity support, the consideration settled by cash payment is based on the hours requested to standby multiplied by an arm's length tariff (hourly standby charge) agreed between the parties. The unit rate of energy transfer and hourly standby charge are determined after taking into account the available market information and the relevant cost.</p>	30.14 (Note)
Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China (Project level cap for 2021 was HK\$400.00 million)						30.14
2 Huaiji hydro project						
2.1	<p>Zelian Hydro Station Power Purchase Agreement (PPA)</p> <p>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 2022.</p>	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 (CSG-ZHPB), another subsidiary of CSG.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Zhaoqing Development and Reform Commission (Zhaoqing DRC). This tariff is published at the Zhaoqing DRC Document ZhaoJia [2012] No. 67, supplemented by the Guangdong Provincial Development and Reform Commission (Guangdong PDRC) Document YueJia [2013] No. 177 and is updated from time to time.	4.77
2.2	<p>Supplemental Agreement to Zelian Hydro Station PPA</p> <p>Agreement entered into on 16 August 2019 for a one-year period from 19 April 2019 to 18 April 2020 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 18 April 2022.</p>	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 [2021] No. 331 and is updated from time to time.	-
2.3	<p>Longzhongtan Hydro Station PPA</p> <p>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 2022.</p>	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	2.06

	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 2021 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 2022.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 2.1 above	1.67
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 2022.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	3.81
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 2022.	Guangdong Huajji 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	26.96
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 2022.	Guangdong Huajji Changxin Hydro-electric Power Company Limited (CLP-GHC) Guangdong Huajji 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	93.93
2.8	Supplemental Agreement to Baishuihe Four Hydro Stations PPA Agreement entered into on 9 December 2020 for a two-year period to 8 December 2022.	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell / purchase electricity to / from CSG-ZPB.	As in item 2.1 above	0.34
2.9	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 2022.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	15.88
2.10	Zelian Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHX	CSG-ZHPB	CSG-ZHPB supplies electricity to CLP-GHX for station consumption.	Payment is based on the number of kWh sold / purchased multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2021] No. 331 and is updated from time to time.	-

	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 2021 HK\$M
2.11	Longzhongtan Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	-
2.12	Jiaoping Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	-
2.13	Xiazhu Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	-
2.14	Shuixia Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHW	CSG-ZHPB	CSG-ZHPB supplies electricity to CLP-GHW for station consumption.	As in item 2.10 above	-
2.15	Baishuihe Four Hydro Stations High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX	CSG-ZHPB	CSG-ZHPB supplies electricity to CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX for station consumption.	As in item 2.10 above	-
Aggregated total consideration for Huaiji hydro project (Project level cap for 2021 was HK\$358.00 million)						149.42
3 Meizhou solar project						
3.1	Meizhou Solar Project PPA Agreement entered into on 1 March 2019 for a one-year period from 1 February 2019 to 1 February 2020 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 1 February 2022.	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 kWh 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.	58.05
3.2	Meizhou Solar Project High Voltage Electricity Supply Contract Agreement entered into on 10 July 2019 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 9 July 2022.	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.	As in item 2.2 above	0.33
Aggregated total consideration for Meizhou solar project (Project level cap for 2021 was HK\$58.00 million)						58.38

	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 2021 HK\$M
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 renewals for successive one-year periods. The latest renewal was for another one-year period to 9 May 2022.	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 renewals for successive one-year periods. The latest renewal was for another one-year period to 9 May 2022.	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 Agreement entered into on 23 March 2019 for a three-year period to 22 March 2022 with automatic renewals for successive three-year periods.	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 2021 for electricity sales for various durations.	Dali Yang_er	CSG Yunnan, a subsidiary of CSG, and Kunming PEC which is 44% owned by CSG Yunnan	Dali Yang_er sells 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 kWh 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).	29.43
	Aggregated total consideration for Yang_er hydro project <i>(Project level cap for 2021 was HK\$36.00 million)</i>					29.45
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 2022.	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 kWh sold multiplied by a tariff pre-determined by the National Development and Reform Commission (NDRC) and subject to adjustment in accordance with the 2021 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan PDRC and Yunnan Provincial Energy Administration and is updated from time to time.	49.47
5.2	Xicun Solar Project High Voltage Electricity Supply Contract (for project site) Agreement entered into on 2 January 2020 for a three-year period to 1 January 2023 which was subsequently replaced by another agreement signed on 23 May 2021 for a three-year period to 22 May 2024 with automatic renewals for successive three-year periods.	CLP Xicun	Dali Binchuan Power Bureau of CSG Yunnan, 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	-

	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 2021 HK\$M
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 25 December 2019 for a three-year period to 24 December 2022 with automatic renewals for successive three-year periods.	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	0.43
5.4	Xicun Solar Project High Voltage Electricity Supply Contract (for pump station) Agreement entered into on 2 January 2020 for a three-year period to 1 January 2023 which was subsequently replaced by another agreement signed on 23 May 2021 for a three-year period to 22 May 2024 with automatic renewals for successive three-year periods.	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 2021 for electricity sales for various durations.	CLP Xicun	CSG Yunnan and Kunming PEC	CLP Xicun sells 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	97.82
Aggregated total consideration for Xicun solar project (Phases I and II) (Project level cap for 2021 was HK\$156.00 million)						147.75
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 2022.	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	13.50
6.2	Xundian Wind Project High Voltage Electricity Supply Contract Agreement entered into on 1 September 2020 for a three-year period to 31 August 2023 with automatic renewals for successive three-year periods.	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 station consumption.	As in item 4.1 above	0.13
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) Agreement entered into on 8 July 2019 for a three-year period to 7 July 2022 with automatic renewals for successive three-year periods.	CLP Xundian	Kunming Xundian Power Supply Company Limited of CSG Yunnan, a subsidiary of CSG (CSG-KXPSC)	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 2021 for electricity sales for various durations.	CLP Xundian	CSG Yunnan and Kunming PEC	CLP Xundian sells 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	51.51
Aggregated total consideration for Xundian wind project (Project level cap for 2021 was HK\$83.00 million)						65.14

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 2021 HK\$M
7 Sandu wind project						
7.1	Sandu Wind Project PPA Agreement entered into on 31 December 2019 for a two-year period from 1 January 2020 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 kWh sold multiplied by a tariff pre-determined by the Guizhou Provincial Development and Reform Commission (Guizhou PDRC). The tariff is published at the Guizhou PDRC Document QianJiaGe [2017] No. 1113 and is updated from time to time.	134.51
7.2	Sandu Wind Project Electricity High Voltage Supply Contract Agreement entered into on 8 December 2015 for a three-year period to 7 December 2018 with automatic renewals for successive one-year periods. A supplemental agreement was entered into on 21 March 2018 for a one-year period from 18 August 2018 to 17 August 2019 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 17 August 2022.	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 PDRC. This tariff is published at the Guizhou PDRC Document QianFaGaiJiaGe [2020] No. 1025 and is updated from time to time.	0.43
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 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 22 March 2024.	CLP Sandu	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 resident life use tariff for resident users determined by the Guizhou PDRC. The tariff is published at the Guizhou PDRC Document QianFaGaiJiaGe [2020] No. 1025 and is updated from time to time.	0.04
Aggregated total consideration for Sandu wind project <i>(Project level cap for 2021 was HK\$171.00 million)</i>						134.98
Total Consideration for 2021						615.26 ^(Note)

Note: Besides the transaction value shown in the table, CLP Power Hong Kong also supplied electricity to CSG-GPG in 2021 under this agreement with consideration settled by CSG-GPG in full by the supply of water to Guangzhou Pumped Storage Power Station to generate the same quantity of power equivalent to the power supplied by CLP Power Hong Kong without any cash settlement. For the purpose of disclosure for this particular arrangement, the notional transaction value has been calculated as if all transactions had been settled in cash in accordance with this agreement; the notional value derived was equivalent to HK\$162.8 million in 2021 for power supply carried out. This equivalent amount is also the reference used to monitor whether all transactions fall within the Annual Aggregate Cap and is excluded from the above total consideration for 2021.

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 (Revised) "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 of these 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 2021, 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 2021 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 David Kadoorie	Note 1	410,524,882	16.24908
Mr William Mocatta	Note 2	401,243	0.01588
Mr J. A. H. Leigh	Note 3	218,823,096	8.66129
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	41,000	0.00162
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 David 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 The Hon Sir Michael David Kadoorie is one of the beneficiaries and the founder.
 - b 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael David Kadoorie is one of the beneficiaries and the founder.
 - c 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael David Kadoorie is one of the beneficiaries and the founder.
 - d 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael David Kadoorie is one of the beneficiaries and the founder.
- 2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 401,243 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.
 - c 1,243 shares were held in the capacity as joint executors of the estate of Lady Betty Kadoorie.

- 3 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 218,823,096 shares in the Company. These shares were held in the following capacity:
 - a 170,000 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.
 - c 1,243 shares were held in the capacity as joint executors of the estate of Lady Betty Kadoorie.
- 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 41,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Sir Rod Eddington, Mrs Zia Mody, Ms Christina Gaw and Mr Chunyuan Gu have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2021.

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 2021.

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 2021.

At no time during the period 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 2021, 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 2021:

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	305,591,730	Note 1	12.10
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 corporation	218,651,853	Note 4	8.65
The Hon Sir Michael David Kadoorie	Note 5	410,524,882	Note 5	16.25
Mr J. A. H. Leigh	Notes 6 & 7	218,823,096	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.
- 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 David 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 was deemed to be interested, either in the capacity as trustee of a discretionary trust and / or by virtue of having direct or indirect control over such company.
- 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 2021, 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 2021, 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 2021, 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 106 of this Annual Report.

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



The Honourable Sir Michael David Kadoorie

Chairman

Hong Kong, 28 February 2022