

# Corporate Governance Report

## Message from the Chief Governance Officer



2022 was another year of evolution of our corporate governance practices to ensure they remain fit for purpose.

As part of the introduction of CLP's new operating model, responsibility for governance, sustainability and strategy were brought together under my purview to further embed sustainability into our corporate strategy. The move also reflects CLP's commitment to good governance as an enabler of long-term value creation.

2022 was a particularly difficult year for our industry with energy shocks impacting markets globally. Periods of volatility and uncertainty such as this reinforce the importance of refreshing the Board to ensure that we have the mix of skills and experience necessary to help navigate a changing business environment. During the year, there were several changes in the composition of our Board and Committees as outlined in this Report. CLP remains committed to a process of gradual Board refresh as part of our ongoing efforts to ensure we have the best Board we can to help guide CLP forward.

During the year, we also refreshed the leadership at our subsidiary board level to enable our mid-management to take up leadership and to be accountable at the subsidiary corporate entity level.

We have conducted an External Board Review process with the future readiness of our Board firmly in mind. The review was a timely and valuable exercise and we look forward to progressing implementation of the recommendations in the months ahead.

In 2022, we maintained the double materiality methodology to guide our ESG disclosures in this Report and the [Sustainability Report](#). The global energy shocks of 2022 highlighted the dynamic nature of ESG issues and the impact they have on our stakeholders. These events also underscored the importance of the regular review of strategic priorities that we undertake as part of our materiality assessment process. 🌱

With these practices in place, we are confident that our corporate governance continues to be well positioned to support our business and management team to navigate through the challenges we may face.



**David Simmonds**  
Chief Governance Officer



Board  
Succession

- > Mr Andrew Brandler, a current Non-executive Director, was appointed as the Vice Chairman of the Board in January 2023.
- > Mr Brandler succeeded Mr William Mocatta as the Vice Chair when Mr Mocatta retired from all his positions at CLP in December 2022.
- > Mr Bernard Chan was appointed as an additional Independent Non-executive Director in October 2022.
- > Mr Chan was identified through an international search process conducted by a firm of consultants, he was regarded as the leading candidate with his unique background and experience, in particular, his senior governmental relations in both Hong Kong and Mainland China.
- > Mrs Betty Yuen was appointed as a Non-executive Director in January 2023 as she transitioned to become a Board Member from CLP's Senior Management team.
- > Mrs Yuen brings with her many years of extensive executive experience at CLP to the Board as a Non-executive Director.

Board Committee  
Refresh

- > Mr Andrew Brandler succeeded Mr William Mocatta as the Chairman of the Finance & General Committee upon Mr Mocatta's retirement.
- > Ms May Tan will become the new Chair of the Audit & Risk Committee on 28 February 2023 and Mr Nicholas C. Allen, the current Chair will step down but remain as a Member on the Committee.
- > Mr Chunyuan Gu will join the Human Resources & Remuneration Committee on 28 February 2023 and this Committee will comprise five Independent Non-executive Directors, following Mr Mocatta's retirement in December 2022.
- > Mr Bernard Chan joined the Sustainability Committee at the same time as he joined the CLP Holdings Board.

Alignment of Subsidiary Board  
Leadership with Business and  
Functional Responsibilities

- > For the CLP Group subsidiaries, the directorships were refreshed with two key objectives.
- > One key objective is to delegate the management of some of the subsidiary boards from the C-suite management to mid-management such that the C-suite management can better focus on the management at the senior leadership level.
- > Another key objective is to empower mid-management to take up the leadership and management of the subsidiary boards whilst ensuring that this would be well aligned with their business / functional responsibilities.

Female Director Representation  
Target of 30%

- > A target of not less than 30% is set for female Directors representation on the CLP Holdings Board.
- > We recognise that the 30% representation is not a ceiling as we seek to enhance diversity.
- > If the female representation falls below 30%, at times or for an intervening period, we will explain the relevant appointment or change in Board composition and our expectations regarding the return of female Director representation to at least 30% or higher.
- > This target will be reviewed on an annual basis by the Nomination Committee.



Refreshed Board, Board Committees and Subsidiary Boards



Enhanced Board Independence (INED representation at **57%** / average tenure of **7 years**)




Maintaining Board Diversity with a target of **30%** for female Directors representation

## How our Purpose, Values, Strategy and Culture are aligned?



## The CLP Code: Compliance and more




The Company has its own unique code namely The [CLP Code on Corporate Governance](#) (CLP Code). It is built on CLP's own standards and experience while respecting the benchmarks set by the Hong Kong Stock Exchange. The CLP Code is on our website and available on request. In 2023, we have updated the CLP Code to reflect the new requirements under the Corporate Governance Code (Corporate Governance Code), Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). 

Our Code goes beyond the principles of good corporate governance and incorporates the code provisions on a “comply or explain” basis and certain recommended best practices as set out in the Corporate Governance Code. The only exception, however, concerns quarterly reporting, details of which are explained on page 115.




We have made **further enhancements to our corporate governance practices in 2022** and some of these are highlighted in “**2022 At a Glance**”.

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

### Our Board

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

### Our disclosure

- > Our Fair Disclosure Policy sets out the principles for the broad and non-exclusionary distribution of information to the public.
- > Our Continuous Disclosure Obligation Procedures guide the organisation in monitoring and disclosing potential inside information.
- > The Continuous Disclosure Committee conducts regular assessment of potential inside information.
- > We adopt a double materiality methodology to identify and report the ESG issues that are financially material to us.
- > We disclose our Senior Management's confirmation of compliance with the Listing Rules Model Code and CLP Code for Securities Transactions, in addition to similar disclosures by our Directors.
- > Our disclosure of financial information on the CLP Group's joint ventures and associates includes off-balance sheet contingent liabilities.
- > We issue individual Board Committee reports in our Annual Report for the Audit & Risk Committee, Sustainability Committee, Nomination Committee and Human Resources & Remuneration Committee.
- > Our Risk Management Report in the Annual Report sets out CLP's risk management framework and how CLP manages the Group's material risks.
- > We announce our financial results within two months after the end of the financial year. The [Annual Report](#) is available on our website within the following fortnight with hardcopies sent to shareholders about two weeks after that. 
- > We have published a separate [Climate-related Disclosures Report](#) since 2021. 
- > We disclose on our website [minutes of our AGM](#); in addition, any questions or topics that are not specifically addressed at the AGM, full answers are provided and disclosed. 

### Our unique policies and practices

- CLP has established its own Corporate Governance Framework, the Value Framework and its own Code for Securities Transactions.
- We conduct a Group-wide Business Practice Review for our staff on a periodic basis to foster employees' understanding of our Code of Conduct under CLP's Value Framework. An important aspect of this is ensuring that our employees maintain a good understanding of CLP's culture and values.
- We have a CLP Procurement Values and Principles. This explains our procurement values and principles and we encourage all suppliers to abide by the same values and principles as ourselves, and to adopt the same standards of integrity and transparency in doing business with us.
- General Representation Letters are issued by our CEO and CFO to the Audit & Risk Committee as attestation of compliance.
- Our Audit & Risk Committee regularly examines the audit activity reviews conducted by the Internal Auditors. The Internal Auditors highlight the significant events and findings which require the Committee's attention and further examination, where appropriate.
- Members of our Audit & Risk Committee conduct meetings as between Members only prior to the full Committee meeting attended by management and the auditors; two of which are joined by the independent auditor.
- For the Group's continuing connected transactions (CCTs), we engage the Company's independent auditor, PwC, to undertake an agreed-upon procedures (AUP) engagement on the Group's CCTs pricing policies. The AUP findings are provided to the Independent Non-executive Directors as part of their consideration of the CCTs for the purposes of giving the required confirmation under Rule 14A.55 of the Listing Rules.

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

### CLP's Approach to Corporate Governance

Throughout the financial year ended 31 December 2022, the Company has complied with the code provisions as well as applied all the principles in the Corporate Governance Code. CLP deviates from only one recommended best practice in the Corporate Governance Code – that an issuer should announce and publish quarterly financial results.

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

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

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

The exceptional challenges for EnergyAustralia which affected the financial performance were reported in the 2022 First Quarterly Statement as an inside information announcement. The quarterly statements, typically, have not taken such form, however, as the update in the 2022 First Quarterly Statement contained inside information relating to the financial performance of the Group, the Quarterly Statement was issued as an inside information announcement.

## CLP's Approach to ESG Reporting

### Governance Structure

- > Sustainability is at the heart of CLP's business strategy and the CLP Board has overall responsibility for CLP's ESG reporting and sustainability. The Directors' Report includes the "Board's Statement on ESG", which explains the Board's oversight of sustainability issues and how CLP approaches and manages the ESG topics (page 195).
- > Sustainability governance has been embedded in our corporate governance structure throughout the Group. Set out below is CLP's Sustainability Governance Structure.



- > As one of the Board-level Committees, the Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues and is supported by the Sustainability Executive Committee. The Audit & Risk Committee, meanwhile, ensures appropriate assurance of the ESG data.
- > Further information about CLP's ESG management approach and how progress on ESG-related goals and targets are reported and reviewed can be found in the Risk Management Report, the Sustainability Committee Report and the Directors' Report of this Annual Report, as well as in the [Sustainability Report](#) and the [Climate-related Disclosures Report](#) published online at the same time as this Annual Report. 🌱🍊

### Reporting Principles & Boundaries

- > **Materiality** – Since 2018, materiality assessments have been conducted to consider how megatrends could impact the success of CLP's strategy in the medium- to long-term. In 2021, CLP became an early global adopter of the double materiality methodology which guides the disclosures and discussions on financially material and impact material topics in the Annual Report and Sustainability Report respectively. In 2022, CLP further enhanced its double materiality assessment methodology to identify and assess potential ESG impacts, risks and opportunities, which, in turn, are integrated into the Company's risk management processes and strategic planning. Full details on the materiality assessment are provided in our online [Sustainability Report](#) and in "Board's Statement on ESG" in the Directors' Report. 🌱
- > **Quantitative and Consistency** – CLP's ESG disclosures follow guidelines and recommendations from the SASB Standards for Electric Utilities & Power Generators, the Hong Kong Stock Exchange's ESG Reporting Guide (ESG Reporting Guide) and the Global Reporting Initiative Reporting Standards (GRI Universal Standards 2021). CLP Group's ESG KPIs are provided over a period of five years in the Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data on pages 310 to 313 of the Annual Report (Five-year Summary). Greenhouse gas emissions are reported with reference to World Resources Institute's (WRI) Greenhouse Gas Protocol. In 2022, the Company continued to produce a separate [Climate-related Disclosures Report](#) which follows the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the IFRS Foundation's International Sustainability Standards Board (ISSB) including Exposure Drafts of S2 Climate-related Disclosures published in March 2022. 🍊



- **Boundaries** – As our business needs evolve, scenarios may arise where our previously defined reporting scope was not able to fully capture the material impacts of our overall portfolio, and to better reflect these impacts, selected reporting scopes will be adjusted in different aspects. In 2022, key transactions including full disposal of the 70% equity interest in Fangchenggang Power Station and divestment of 10% equity interest in Apraava Energy to CDPQ were reflected and explained fully in our online [Sustainability Report](#) and the [Climate-related Disclosures Report](#). 🌱🍊

### ESG Information Disclosure in the 2022 Annual Report, [Sustainability Report](#) and [Climate-related Disclosures Report](#) 🌱🍊

- Details on how we report on the ESG issues in accordance with the ESG Reporting Guide “comply or explain” requirements and related Listing Rules are set out below.
- A thorough materiality assessment is the foundation of best practice for ESG strategy and reporting. Our materiality assessment process enabled management to determine which ESG material topics have a potential enterprise value impact (financial materiality) and accordingly disclose these financially material topics to its capital providers and other stakeholders in the Annual Report; these are for reporting purposes under the ESG Reporting Guide. Further information is in the Sustainability as Our Business Strategy on page 22 and the Stakeholders chapters on page 66.
- ESG topics with material impact to a wide range of stakeholders namely, customers, people, business partners and communities are discussed in CLP’s online [Sustainability Report](#). It is published at the same time as the Annual Report and captures in detail the Company’s delivery of social and environmental value in a rapidly changing environment. With stakeholders’ increasing interest in CLP’s response to climate change and its impact on business, CLP’s standalone [Climate-related Disclosures Report](#) details its decarbonisation strategy, governance and approach to managing climate risks and capitalising on opportunities. In addition, data related to financially material and impact material topics are set out in the Five-year Summary. 🌱🍊
- The table below sets out the financially material topics by reference to the aspects in the ESG Reporting Guide and discussions and data on these topics can be found in the corresponding chapters of this Annual Report. Aspects A3 (The Environment and Natural Resources) and B8 (Community Investment) in the ESG Reporting Guide are regarded as ESG impact material topics and these are discussed primarily in the [Sustainability Report](#) and are also covered in the “Stakeholders – Community” (page 92) of the Annual Report. 🌱

#### Environmental

##### A1. Emissions (KPI A1.2 and KPI A1.5)

- |                                      |   |
|--------------------------------------|---|
| ➤ A Snapshot of CLP in 2022 (page 4) | ➤ Business Performance and Outlook  |
| ➤ Chairman’s Statement (page 12)     | – Australia (page 53)   |
| ➤ CEO’s Strategic Review (page 16)   | ➤ Business Performance and Outlook  |
| ➤ Business Performance and Outlook   | – India (page 59)   |
| – Hong Kong (page 40)                | ➤ Stakeholders – Capital Providers (page 69)  |
| ➤ Business Performance and Outlook   | ➤ Stakeholders – Partners (page 88)   |
| – Mainland China (page 47)           | ➤ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 310) |

##### A2. Use of Resources (KPI A2.1 and KPI A2.3)

- |  |   |
|--|---|
| ➤ A Snapshot of CLP in 2022 (page 4)         | ➤ Stakeholders – Customers (page 77)  |
| ➤ Stakeholders – Capital Providers (page 69) | ➤ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 310) |

## Environmental

### A4. Climate Change

- > A Snapshot of CLP in 2022 (page 4)
- > Chairman's Statement (page 12)
- > CEO's Strategic Review (page 16)
- > Business Performance and Outlook – Hong Kong (page 40)
- > Business Performance and Outlook – Mainland China (page 47)
- > Business Performance and Outlook – Australia (page 53)
- > Business Performance and Outlook – India (page 59)
- > Stakeholders – Capital Providers (page 69)
- > Stakeholders – Customers (page 77)
- > Stakeholders – Partners (page 88)
- > Stakeholders – Community (page 92)
- > Governance (page 98)
- > Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 310)

## Social

### B1. Employment

- > A Snapshot of CLP in 2022 (page 4)
- > Stakeholders – Our People (page 82)
- > Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 310)

### B2. Health and Safety

- > A Snapshot of CLP in 2022 (page 4)
- > CEO's Strategic Review (page 16)
- > Business Performance and Outlook – Hong Kong (page 40)
- > Business Performance and Outlook – Australia (page 53)
- > Business Performance and Outlook – India (page 59)
- > Stakeholders – Our People (page 82)
- > Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 310)

### B3. Development and Training

- > A Snapshot of CLP in 2022 (page 4)
- > Stakeholders – Our People (page 82)
- > Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 310)

### B5. Supply Chain Management (KPI B5.1)

- > CEO's Strategic Review (page 16)
- > Business Performance and Outlook – Hong Kong (page 40)
- > Stakeholders – Customers (page 77)
- > Stakeholders – Partners (page 88)

### B6. Product Responsibility (KPI B6.3)

- > A Snapshot of CLP in 2022 (page 4)
- > Business Performance and Outlook – Hong Kong (page 40)
- > Business Performance and Outlook – Mainland China (page 47)
- > Business Performance and Outlook – Australia (page 53)
- > Stakeholders – Capital Providers (page 69)
- > Stakeholders – Customers (page 77)
- > Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 310)



- > In respect of the specific aspects of the ESG Reporting Guide set out below, CLP has not had any non-compliance with the relevant laws and regulations that would have a significant impact on CLP:
    - A1 **Emissions:** air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste;
    - B1 **Employment:** compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare;
    - B2 **Health and Safety:** providing a safe working environment and protecting employees from occupational hazards;
    - B4 **Labour Standards:** preventing child and forced labour;
    - B6 **Product Responsibility:** health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress; and
    - B7 **Anti-corruption:** bribery, extortion, fraud and money laundering,
- save for specific aspects B2 and B6 regarding EnergyAustralia, where there have been non-compliance cases regarding (i) breaches of occupational health and safety obligations in connection with a fatal incident in 2018 (see Business Performance and Outlook chapter page 38), (ii) self-reported life support breaches (see Stakeholders chapter page 66) and (iii) failure to obtain consent from retail customers (see Stakeholders chapter page 66).
- > Those less material non-compliance cases are covered in the Business Performance and Outlook chapter. The Stakeholders chapter also covered a cyber incident that resulted in unauthorised access to the online accounts of about 300 EnergyAustralia customers.
  - > PwC have conducted limited assurance on selected ESG metrics as set out in the Five-year Summary, in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board (IAASB). The [Sustainability Report](#) also includes an independent assurance report from PwC. 🌱

## Our Board

### The Board's Roles and Responsibilities

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



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

## Board's Focus

The Board recognises that effective oversight and leadership over the affairs of the Company are critical to promoting the success of the Company. The following summarises the Board's focus during the reported period (full-year 2022 and for 2023 up to the date of this Report) (the Period):

Strategy	
Group strategy and implementation	During the course of the Period, the Board was briefed on the strategic investment and business update for the Group's key business units, including the transaction for Apraava Energy. The Board provided insights and recommendations to management on key issues such as strategic priorities, challenges and risks.
Transformation plan update	Throughout the Period, the Board discussed and considered the implementation of the different phases of the transformation plan. The Board analysed the proposed ERP (enterprise resource planning) project and provided guidance on certain key issues to management. The Board had a deep dive session in understanding the need and the business case for the investment in ERP.
Governance and Risk	
EnergyAustralia challenges	The Board requested timely updates on the challenges and the latest financial performance for EnergyAustralia. Recognising the situation at the relevant time, the Board considered and approved the profit warning announcement in connection with the financial performance of EnergyAustralia. The Board had a deep dive session into how EnergyAustralia should be managing the challenges in an uncertain and volatile market.
Hong Kong Cable Bridge incident	The Board was briefed contemporaneously on the CLP Cable Bridge fire incident in Yuen Long and studied the full report of the investigation. The Board approved the full report and adopted the recommended follow up measures including a series of risk reduction measures for other cable bridges.
Audit & Risk Committee activities	The Board received the important overview from the Chairman of the Audit & Risk Committee on the Committee's review of financial statements and oversight of risk management and internal control systems ahead of management's presentation of the full-year and half-year financial statements.
Leadership and People	
Board and Board Committees refresh	As part of the Board refresh, the Board oversaw a number of changes to the composition and leadership of the Board and Board Committees, see "2022 At a Glance" on page 111.
Organisation's capability and structure	As part of the transformation plan, the Board considered and provided guidance on the structuring of the new operating model for the Group. The Board was also briefed on the implementation of the new organisational and leadership structure.
Chairman's session	The Chairman held an annual meeting with the Independent Non-executive Directors only, which provided an open agenda for the Independent Non-executive Directors to raise matters of interest to the Group with the Chairman.

Performance Monitoring and Planning	
Results and dividends	<p>The Board approved the following: 2021 and 2022 Annual Reports; 2022 Interim Report; the quarterly statements; and the dividends for the financial years ended 31 December 2021 and 2022; as well as the Business Plan and Budget.</p> <p>In approving the Annual Reports and Interim Report, the Board also approved the financial statements and ensured that the statements give a true and fair view of the financial position of the Group.</p>
Timely updates to the market	<p>The Board recognised the challenging situation for EnergyAustralia and the Board approved the timely updates to the market. In advance of the interim results reporting, the Board considered and approved the issuance of the Quarterly Statement as an inside information announcement and a profit warning announcement.</p>
Regular updates to the Board	<p>The Board considered the matters covered in the CEO's Report where the CEO highlighted key issues on safety and business updates for each of the Group's markets. This enabled the Board to keep abreast of the material issues and developments of the CLP Group.</p> <p>In between Board meetings, the Directors received the CLP Group Management Report that provided updates on the Group's key financial information as well as reports on health, safety and environment.</p>
Stakeholder Engagement	
Regulatory landscape	<p>The Board looked into the regulatory landscape under the new Administration in Hong Kong and had a good exchange amongst the Board members and management in understanding the implications for our business.</p>
Hong Kong business	<p>The Board has always recognised the importance of the stakeholders of the Hong Kong business and the Board and management have always put this as a fundamental consideration in key decisions for the Scheme of Control business.</p>
Outside of the Boardroom	
Matters considered by the Board via circulation of Board Papers	<p>2022 has been a busy year for the Board outside the scheduled Board meetings and the Board received timely updates on, and considered, the following matters:</p> <ul style="list-style-type: none"> <li>&gt; The Group's profit warning;</li> <li>&gt; AGM arrangements in light of the tightened social distancing requirements;</li> <li>&gt; Board succession;</li> <li>&gt; Internal Board Review report;</li> <li>&gt; Hong Kong Cable Bridge incident report;</li> <li>&gt; Hong Kong tariff updates;</li> <li>&gt; CLP China business development investments and disposal;</li> <li>&gt; EnergyAustralia business update; and</li> <li>&gt; Apraava Energy's business development investment and transactions.</li> </ul>

### Attendance at our Board meetings and the interaction between Senior Management and our Directors

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

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

### Board and Board Committees meetings held during the Period

2022												2023	
Board													
	<div>B</div>			<div>✓</div> <div>B</div>			<div>B</div>		<div>B</div>		<div>I</div> <div>B</div>		<div>B</div>
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<div>A</div>	<div>A</div> <div>F</div> <div>H</div> <div>S</div>	<div>F</div>	<div>A</div>		<div>A</div> <div>F</div> <div>P</div>	<div>H</div>	<div>A</div> <div>F</div>		<div>A</div> <div>H</div> <div>S</div>	<div>F</div> <div>H</div> <div>S</div>	<div>N</div> <div>P</div>	<div>A</div>	<div>A</div> <div>F</div> <div>H</div> <div>S</div>
Board Committees													

#### Board

B Board

I Chairman and Independent  
Non-executive Directors only

✓ AGM

#### Board Committees

A Audit & Risk Committee

F Finance & General Committee


H Human Resources & Remuneration Committee

N Nomination Committee

P Provident & Retirement Fund Committee

S Sustainability Committee

### Board Committees

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

<b>Audit &amp; Risk Committee</b> (see full report on page 156)	> Corporate governance, compliance and code of conduct*
<b>Sustainability Committee</b> (see full report on page 164)	> Governance of ESG issues*
<b>Nomination Committee</b> (see full report on page 170)	> Governance of Board-level matters and professional development of Directors*
<b>Human Resources &amp; Remuneration Committee</b> (see full report on page 175)	> Professional development of management*
<b>Finance &amp; General Committee</b>	> See page 123 for responsibilities and work done during the Period
<b>Provident &amp; Retirement Fund Committee</b>	> See page 123 for responsibilities and work done during the Period

## Membership of Finance & General Committee

Mr Andrew Brandler (Chairman), Sir Rod Eddington, Mr Nicholas C. Allen, Ms May Siew Boi Tan, Ms Christina Gaw, Mr Chunyuan Gu, Mrs Betty Yuen, and Mr Richard Lancaster; the former Chair, Mr William Mocatta retired on 31 December 2022.

### Responsibilities and Work Done

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

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

- the Company's interim and annual results and the dividends payable to shareholders for the financial years ended 31 December 2021 and 2022;
- the CLP Group Business Plan and Budget 2023-2027 including the dividends profile for those years;
- the capital expenditure and 2023 tariff strategy for the Hong Kong business;
- potential investment in specific projects in Hong Kong, Mainland China, Australia and India;
- the sell down of 10% interest in Apraava Energy;
- the exit of CLP's interest in the Vinh Tan 3 Coal Project;
- the latest energy market developments and outlook for the business on EnergyAustralia;
- the CLP Group liquidity position, funding requirements, financing initiatives and cost of capital study; and
- CLP's foreign exchange translation risk and counterparty exposures.

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

## Membership of Provident & Retirement Fund Committee

Mr William Mocatta (Chairman) (until his retirement on 31 December 2022), Mr Nicolas Tissot and a Trustee.

### Responsibilities and Work Done

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

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

## Changes to Board Committees' Composition

With the appointment of Mr Bernard Chan as an Independent Non-executive Director and the retirement of Mr William Mocatta as the Vice Chairman, there were a number of changes in the Board Committees composition, details of which are set out below:

- Mr Bernard Chan was appointed as a Member of the Sustainability Committee with effect from 18 October 2022;
- Mr William Mocatta retired as Chairman and Member of the Finance & General Committee, Chairman of the Provident & Retirement Fund Committee and a Member of the Human Resources & Remuneration Committee with effect from 31 December 2022; and
- Mr Andrew Brandler was appointed to succeed Mr Mocatta as the Chairman of the Finance & General Committee effective 1 January 2023.

With the Board's approval, the Board Committees will be refreshed (with effect from 28 February 2023) in the following manner:

- Mr Chunyuan Gu will become a Member of the Human Resources & Remuneration Committee; and
- Ms May Tan will succeed as the Chair of the Audit & Risk Committee and outgoing Chair, Mr Nicholas C. Allen will remain as a Member of the Audit & Risk Committee.

## Directors' Attendance and Development

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

In 2022, six Board meetings were held and the overall attendance rate of Directors at Board meetings was 93.33% (2021: 94.67%). Details of Directors' attendance at the AGM, Board and Board Committee meetings (**attended** / held) and development programme in the year 2022 are set out in the following table.

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

Notes:

- 1 Included an annual meeting where the Chairman met with the Independent Non-executive Directors only.
- 2 Representatives of the independent auditor participated in every Audit & Risk Committee meeting and the AGM.
- 3 Independent Non-executive Directors were available to take shareholders' questions specifically addressed to them during the AGM (of which there were none).
- 4 Mr William Mocatta retired from the Board on 31 December 2022.
- 5 Mr Bernard Chan was appointed as an Independent Non-executive Director and a Member of the Sustainability Committee with effect from 18 October 2022.
- 6 Chairmen of the Board and Board Committees and the Vice Chairman of the Board are indicated by (C) and (VC) respectively.

#### \* Directors Development Programme

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

- A – meeting with local management and stakeholders, and visiting CLP's facilities and special projects with CLP's involvement; and
- B – attending expert briefings / seminars / conferences relevant to the business or director's duties. In addition, they have access to Chatham House (a leading independent policy institute based in London) publications and the opportunity to attend Chatham House events on topics relevant to our business.

#### Onboarding for new Director

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

Our Onboarding Programme for the newly appointed Director is individually designed with the specific Director in mind having regard to the Director's unique background, skills, experience and perspective. Components of our Onboarding Programme include:

- > an introduction session;
- > face-to-face and one-on-one meetings with the Chairman of the Board, Chairman of the Board Committees and the Senior Management who work closely with the Board and Board Committees;
- > access to information that provides a broad overview of the CLP Group;
- > invitation to attend Board Committee meetings to assist with the understanding of the work carried out by various Board Committees; and
- > visits to the major facilities of CLP and / or special projects with CLP's involvement.

As part of the onboarding sessions for the newly-appointed Independent Non-executive Director, Mr Bernard Chan met with some of the Senior Management members in November 2022.



## Directors' Time and Directorship Commitments

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

### > Sufficient time and attention

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


### > Other offices and commitments

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

### > Other directorships

- > None of our Directors, individually, held directorships in more than seven public companies (including the Company) as at 31 December 2022.

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

In respect of those Directors who stand for election or re-election at the 2023 AGM, all their directorships and board committee membership held in listed public companies in the past three years are set out in the Notice of AGM. [Other details of the Directors' biographies](#) are set out under Board of Directors on page 100 of this Annual Report and on CLP website. 

## 2022 External Board Review Exercise


We have conducted the External Board Review exercise and this was led by a firm of consultants, Korn Ferry. Korn Ferry also did the previous External Board Review and with their strong understanding of the Board dynamics and the strategic issues faced by the Group and the leadership team, this provided a solid foundation for this year's exercise.

Consistent with the approach taken in the previous review, the focus of the subject review exercise is on today and the future for the Board and the Group with specific objectives on enhancing:

- > the alignment on strategic issues, priorities and the path forward; and
- > how the Board adds value in partnership with the management team.

A key part of the review exercise was the one-on-one interview sessions that Korn Ferry conducted with the Board of Directors as well as selected members of the Senior Management who have regular interaction with the Board and Board Committees.

In preparation for, and in advance of, this review exercise and the interview sessions, Board Members were provided with a detailed report of the findings of the internal board survey that was conducted in 2021. The objective of this was to remind and refresh Board Members' understanding of the issues pertinent to the Board and the Group.

The report and the recommendations for this External Board Review exercise have been compiled. Once finalised, a report will be put to the Chairman and the Board for consideration and it is expected that the report will include specific and practical recommendations for the Board to consider for adoption. As with the previous practice, once finalised, a [summary](#) report will be made available on our website. 

## Nomination and Appointment of Directors

Following the Nomination Committee's consideration and recommendations, the Board appointed two new Directors this year, Mrs Betty Yuen as a Non-executive Director and Mr Bernard Chan as an Independent Non-executive Director, both were announced in October 2022.

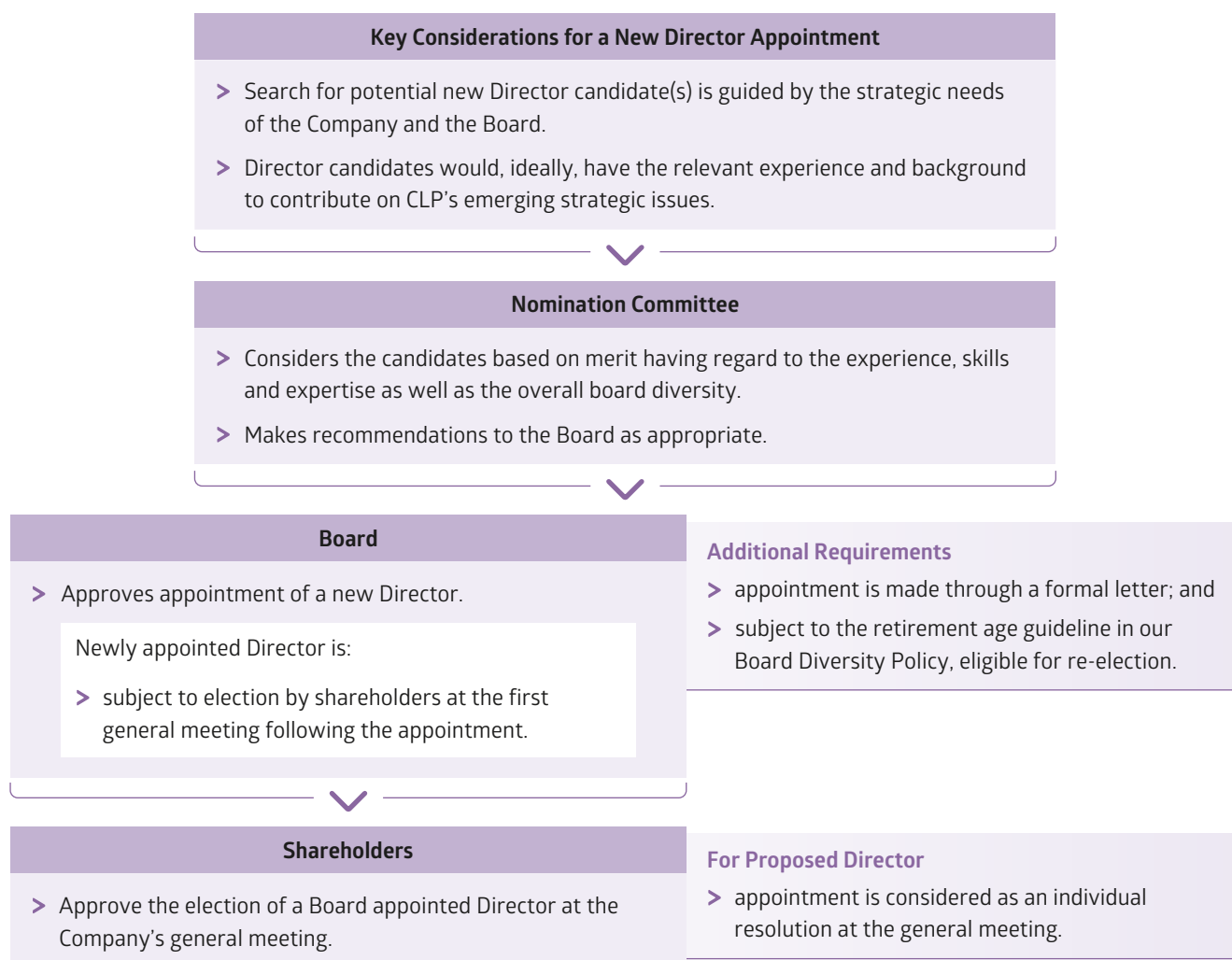
### Non-executive Director Appointment

With the retirement of Mr William Mocatta as Vice Chairman and CLP Holdings Non-executive Director, the Board considered the succession for Mr Mocatta as a Non-executive Director with a vast knowledge and deep understanding of the CLP Group's business. Mrs Betty Yuen, a former senior executive of the CLP Group with extensive experience of the power industry in Hong Kong and Mainland China, was considered by the Board as an ideal candidate to join the Board as a Non-executive Director.

### Independent Non-executive Director Appointment

For the search process in the lead up to the appointment of Mr Bernard Chan as an Independent Non-executive Director (INED), CLP followed a formal and transparent procedure and is guided by CLP's Nomination Policy, which is disclosed in the Nomination Committee Report on page 170.

### Process for appointing a new Director



\* For existing Directors, they are subject to rotation at least once every three years and one-third of Board members are required to retire at the AGM and are eligible for re-election.

Why Board Diversity is Important to CLP

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

CLP Board Diversity Policy adopted by the Board in 2013 (available on website)

**The Policy incorporates:**

- > Code Provisions of the Corporate Governance Code
- > Retirement Age Guideline (age 72) for Non-executive Directors (other than the Chair)
- > CLP Group Diversity and Inclusion Policy for Senior Management and Staff

**Recent changes (2022):**

- > 30% target for female Director representation on the CLP Holdings Board – To be reviewed annually by the Nomination Committee
- > Independence mechanism (for directors to express their views and feedback) will be reviewed by the Nomination Committee annually

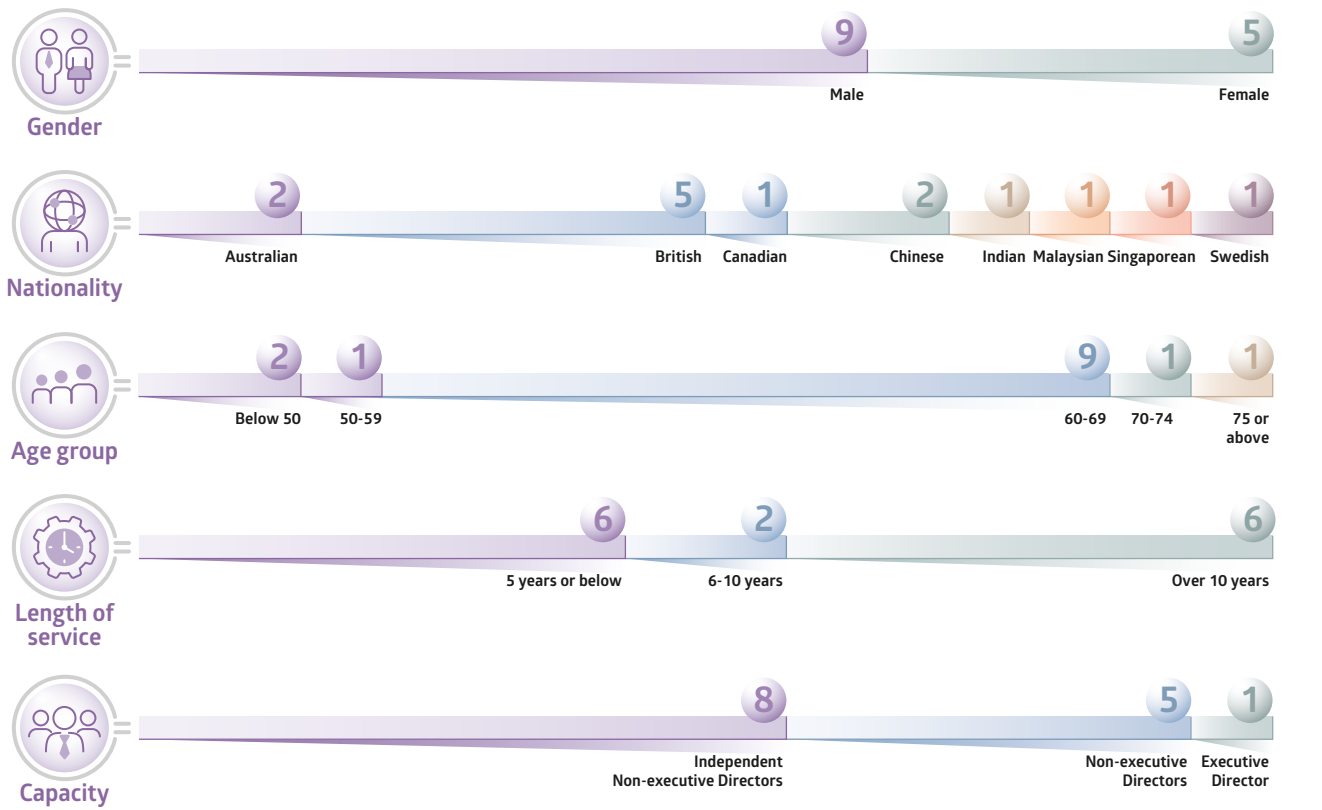
**Aspects of Diversity cover:**

independence / gender / age / cultural and education background / professional experience / business perspectives / skills / knowledge / ethnicity / length of service

Our Board Diversity Policy also recognises that board diversity can be achieved without increasing the size of the Board and that a reduction in board size due to retirements without replacement can also be a way to further diversity. Since January 2022, our Board size slightly increased from 13 to 14 due to the appointment of one additional Independent Non-executive Director.

Board Composition & Diversity\*

Key highlights: Female Representation of 35.7% / INED Representation of 57%



\* As at date of this Annual Report

Board Expertise

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

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

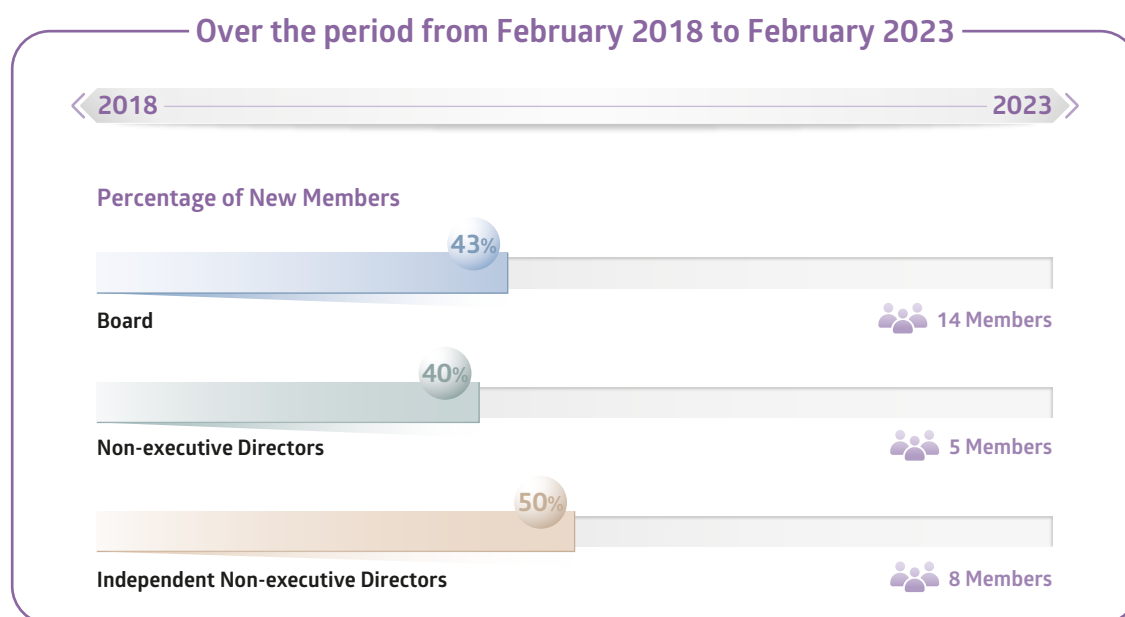
Expertise	Relevance to CLP	No. of Directors (Full Board of 14)
Board / board committees leadership	Board and governance leadership experience are regarded as a strategic asset to the Board and Board Committees	8
CLP market experience (Hong Kong / Mainland China (including Greater Bay Area) / Australia / India / SEA & Taiwan)	Facilitates the review of CLP's business and financial operations and investments in the respective region	14
Company executive	Provides insights into executive leadership and the management of CLP's business and operations	9
Global market experience	Provides insights into the global economic trends and opportunities that CLP can explore	14
Other industries	Brings in other expertise applicable across different industries	13
Other listed board roles	Brings in good practices as a board and / or board committee member of listed companies	12
Public administration	Brings in experience in the areas of regulatory and stakeholder engagement	2
Related industry experience (Infrastructure / Power / Property / Retail)	Facilitates the review of CLP's business operations and investment opportunities in the related industries	14
Risk & compliance	Risk and compliance as key governance responsibilities of the Board	10
Technology	Provides insights into the technological developments and the governance of cyber risks	4
Professional	Brings in oversight, advisory and operational experience in the respective field of profession	9
> Accounting		4
> Engineering		3
> Legal		2

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

## How the Board has been refreshed

One initiative to enhance the Board's diversity is to gradually refresh the composition of the Board.

As part of our continuing efforts to gradually refresh our Board, the Board saw two new appointments and the retirement of our former Vice Chairman since January 2022. We believe that this is an important balancing act of bringing experienced Directors with fresh ideas and experience aligned with CLP's strategic priorities and ensuring that the Board remains well represented by Directors with a good degree of CLP corporate knowledge, background and history. The table below shows how the Board has been refreshed over the past five years.



## Disclosure of Conflict of Interest and Independence of Directors

### Conflicts

Directors are requested to declare their and their connected entities' direct or indirect interests, if any, in proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate. In 2022, none of the Directors were required to withdraw from meeting in these circumstances.

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

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

### Independence

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

Among the Independent Non-executive Directors of the Company, none of them has held cross-directorship with other Directors.

### Our view on independence

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

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


The Company has established channels through formal and informal means whereby Independent Non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require.

Communication channels for Independent Non-executive Directors:

- dedicated meeting session between Independent Non-executive Directors and the Chairman only (before Board meeting);
- board evaluation conducted by external consultant once every 3 years, and internal survey conducted in the intervening period;
- Independent Non-executive Director as Chair of various Board Committees – Committee Chair can update Board Chair as necessary; and
- other informal meetings outside the boardroom.

The Audit & Risk Committee has been asked to provide feedback and the Nomination Committee has been delegated with the authority to review the implementation and the effectiveness of the independence mechanism on an annual basis.

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

[Details of all Directors and their biographies](#) including, if any, relationship between the members are disclosed on pages 100 to 107 and on our website. 

### **Directors' Shareholding Interests**

Directors' interests in CLP's securities as at 31 December 2022 are disclosed in the Directors' Report on page 194. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2022 they have complied with the required standard set out in the Model Code and our own Code for Securities Transactions. CLP's own Code for Securities Transactions is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code.

### **Management and Staff**

CLP recognises the importance of diversity not just at the Board level but throughout the CLP Group. Our respect for people and diversity are embedded in CLP's Value Framework and our Board Diversity Policy has also incorporated the CLP Group Diversity and Inclusion Policy for Senior Management and Staff.

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

A key fundamental feature of CLP's corporate governance is a culture of "doing the right thing", this "tone" is set at the top of the organisation at the Board level and is embedded throughout our Value Framework, Code of Conduct, CLP Code, and the Whistleblowing Policy.

### **Subsidiary Board Governance**

The subsidiary board governance plays an important part to ensure that at the management level, the culture set at the Holdings Board level is observed and followed and that the expected standard of business principles and ethics will be consistently applied at the subsidiary board and management level.

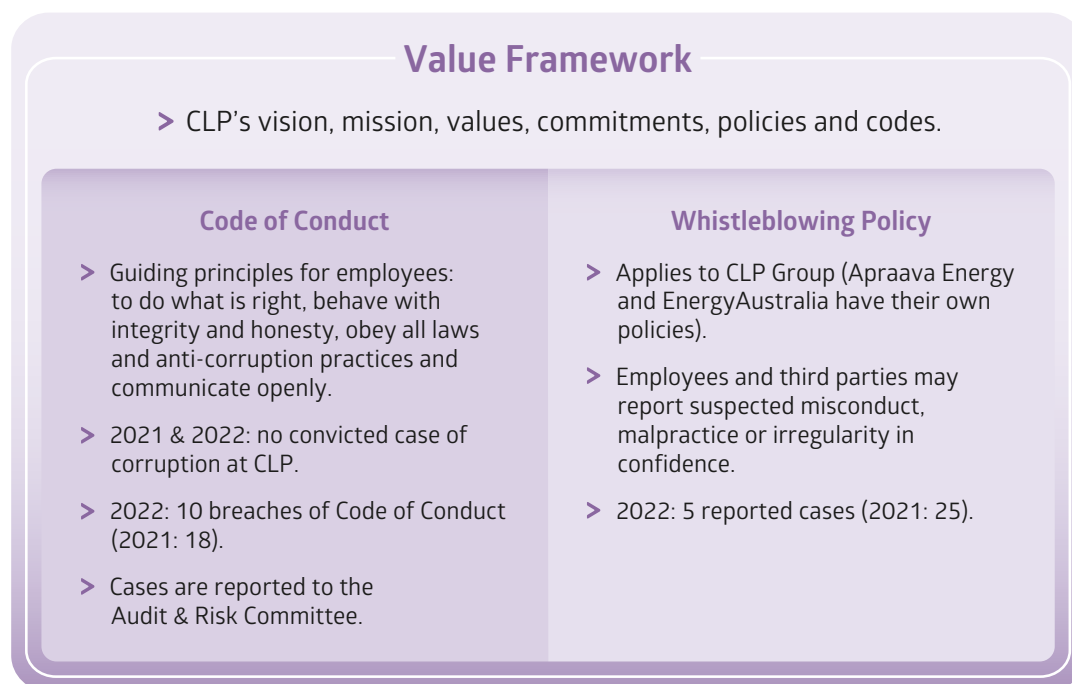
In 2022, the leadership at the subsidiary board level was refreshed with more of our mid-management leaders taking up subsidiary board positions. As subsidiary board directors, they will have legal responsibilities that are aligned with their accountability in their business or functional capacity.

The new appointees are of a certain level of seniority who are familiar with the CLP culture and have a solid understanding of their obligations and responsibilities as a corporate director and an organisational leader. These subsidiary level directors are expected to lead by example and help guide and oversee our people to ensure that the right culture is not just observed but are applied in how we conduct our business.

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

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

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



## Ongoing Training

In addition to setting the right tone at the top, we recognise the importance of communicating effectively with our staff, and the need to cascade down the key messages and expectations of what are expected from them to ensure that everyone will work together to contribute to a good corporate governance culture.

To demonstrate CLP's commitment to high ethical and integrity standards and to foster the culture of making conscious decisions in doing the right thing as a company, we conducted a Group-wide Business Practice Review throughout 2021 and 2022. This is a mandatory training programme for all staff, through live discussions in the training workshops, not only to refresh their understanding of the key principles in Code of Conduct and other major Group policies, but also to facilitate better application of these principles in their daily work. More than 470 sessions were held which covered approximately 8,400 employees and 1,000 contractors.

In an increasingly challenging and uncertain environment, where organisations could potentially be more vulnerable to the heightened risk of fraud, we have rolled out a Fraud Risk Awareness e-training to all CLP staff including all new joiners as part of the mandatory induction training programme. The e-training focused on the importance of identifying different forms of potential fraud, and on how CLP staff can prevent, detect, respond to, and report cases of fraud.

We have also launched e-learning programmes on CLP Corporate Governance Framework and Internal Controls to reiterate the basic governance framework, principles and standards required for an effective system of management controls.

All the above-mentioned e-training are available on the CLP intranet for staff to understand, learn and refresh anytime as they see appropriate.

## Securities Dealing

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

- > We appreciate that some of our staff may in their day-to-day work have access to potential inside information.
- > Our Senior Management and selected members of staff, “Specified Individuals”, are subject to securities dealing restrictions in our CLP Code for Securities Transactions.
- > Securities Transactions: All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2022 they have complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.
- > Shareholding in CLP shares: Save for the interest disclosed by the CEO in the Directors’ Report on page 212, the other members of the Senior Management did not have any interests in CLP Holdings’ securities as at 31 December 2022.

## Senior Management Training and Development

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

Participation in Training and Continuous Professional Development of Senior Management in 2022

Senior Management	Attending formal executive development / training programme	Attending expert briefings / seminars / workshops / conferences relevant to the business or their duties	Participating as speakers at events	Access to web-based learning resources
Mr Richard Lancaster	●	●	●	●
Mr Nicolas Tissot	●	●	●	●
Mr Derek Parkin <sup>1</sup>	●	●	●	●
Mrs Betty Yuen <sup>2</sup>	●	●	●	●
Mr T.K. Chiang	●	●	●	●
Mr Law Ka Chun Joseph <sup>3</sup>	●	●	●	●
Mr Mark Collette	●	●	●	●
Mr Rajiv Mishra	●	●	●	●
Mr David Simmonds <sup>4</sup>	●	●	●	●
Ms Quince Chong	●	●	●	●
Ms Eileen Burnett-Kant	●	●	●	●

Notes:

- 1 Mr Derek Parkin was appointed as Chief Operating Officer and has become a member of Senior Management with effect from 1 September 2022.
- 2 Mrs Betty Yuen was appointed a Non-executive Director of the Company with effect from 1 January 2023.
- 3 Mr Law Ka Chun Joseph was appointed as Managing Director – China with effect from 1 April 2022 following Mr Chan Siu Hung’s retirement.
- 4 During 2022, Mr David Simmonds, the Company Secretary, served as the Vice-President, the Chairman of the Membership Committee and the Company Secretaries Panel, he also led the Competition Law Interest Group and was a member of the Investment Strategy Task Force of the Hong Kong Chartered Governance Institute. He was also a frequent speaker at seminars and has fulfilled the relevant professional training requirements under the Listing Rules.



## Organisation's Gender Diversity

The importance of gender diversity at the CLP Holdings Board level is extended throughout the organisation. We believe a diverse workforce and an inclusive culture supports high performance and CLP's ability to operate effectively in the many communities in which it operates. CLP has set targets to encourage more women into the workforce, and policies to support employees to balance work and home-life commitments. Considering the nature of our business and the markets we operate in, addressing gender diversity is a Group-wide priority to ensure a sustainable workforce and to deliver a wider, positive social and economic contribution. Long-term aspirational Group-wide gender diversity targets have been set, reflecting UN Sustainable Development Goals, these are:

- > **Women in Leadership target:** to achieve gender balance in leadership positions by 2030 against a 2016 baseline of 22%; and
- > **Women in Engineering target:** for 30% of engineers to be female by 2030 compared to a 2016 baseline of 9%.

As indicated in the table on page 87, the gender diversity across the Group's management for 2022 has been largely consistent with that of 2021. For the general employees subset, this has seen a modest percentage increase of 1% and considering the large number of employees in this subset, this represented a notable increase in absolute terms and progress in the female representation in CLP's general workforce.

## Shareholders Engagement

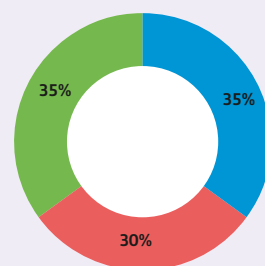
### Shareholding as at 31 December 2022

Size of Registered Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,488	13.55	766,109	0.03
501 – 1,000	3,431	18.68	2,755,325	0.11
1,001 – 10,000	8,422	45.86	35,599,089	1.41
10,001 – 100,000	3,568	19.43	103,452,406	4.09
100,001 – 500,000	378	2.06	75,952,849	3.01
Above 500,000	78 <sup>1</sup>	0.42	2,307,924,792	91.35
<b>Total</b>	<b>18,365 <sup>2</sup></b>	<b>100.00</b>	<b>2,526,450,570 <sup>3</sup></b>	<b>100.00</b>

Notes:

- 1 Information on the [10 largest registered shareholders](#) in the Company is set out on our website. 
- 2 Actual number of investors is much greater as many shares are held through intermediaries including Central Clearing and Settlement System of Hong Kong (CCASS).
- 3 55.45% of all our issued shares were held through CCASS.
- 4 The Listing Rules required 25% public float was maintained throughout the year and up to 27 February 2023.

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




- Interests associated with the Kadoorie Family – our single largest shareholder group
- Institutional investors – mainly based in North America, UK, Europe and Asia
- Retail investors – mostly based in Hong Kong


The scale of our shareholders' investment is reflected in the market capitalisation of CLP Holdings which stood at HK\$144 billion as at 31 December 2022.

## Shareholders' Rights

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

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

### CLP's Dividends Policy

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

The Company's performance- and dividend-related dates for 2023 are set out in Information for Our Investors on page 324.


## 2022 Hybrid AGM

Due to the social distancing laws and regulations at the time, the 2022 AGM was held in a hybrid format on 6 May 2022 with online attendance and physical attendance at the Principal Meeting Place at the Company's Head Office, 8 Laguna Verde Avenue, Hung Hom, Kowloon, Hong Kong. Attendance at the Principal Meeting Place was limited to Directors and management working on the AGM arrangements or as required to form a quorum for the AGM and all shareholders were invited to join the online AGM.

Our then Vice Chairman, CEO and Mr Michael Ling, the then Deputy Company Secretary played host, and Mr Nicholas C. Allen (an Independent Non-executive Director), our CFO and the representatives of the independent auditor attended the physical meeting. Our Chairman, The Hon Sir Michael Kadoorie, and all other Directors attended the meeting online.

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



### Highlights of the 2022 Hybrid AGM

- > All registered and non-registered shareholders who joined online could view and participate in the AGM, submit questions and cast votes in near real-time through the online platform. To ensure the online AGM was conducted effectively, a chat response function was available on the online platform to address procedural questions from shareholders.
- > An attendance of over 200 shareholders participated online.
- > A high level of votes approving the following major items:
  - > the re-election of Directors ranging from about 73% to over 99%;
  - > the approval of the revised levels of remuneration payable to the Non-executive Directors (over 99%); and
  - > the general mandate to issue new shares of up to 5% of shares in issue only, at a price not being at a discount of more than 10% to a benchmarked price (about 99%) and to repurchase shares of not more than 10% shares in issue (over 99%).
- > Through the online platform, shareholders posed various questions and most of these questions were addressed during the meeting; and [questions not taken at the AGM](#) were answered in writing and made available on the Company's website. 

## Communication with Shareholders


### *Multiple channels of communication and engagement*

Our approach to shareholders communication and engagement include:

Channels	2022 Highlights
<b>Hybrid AGM</b>	<ul style="list-style-type: none"> <li>&gt; Chairman keynote speech</li> <li>&gt; Shareholders were able to join the AGM online</li> <li>&gt; Shareholders can vote in near real-time through the online platform</li> <li>&gt; <b>High voting approval rate</b> on resolutions considered</li> </ul>
<b>Investor Meetings</b> (Led by CEO, CFO and Investor Relations Department)	<ul style="list-style-type: none"> <li>&gt; Conducted <b>110 investor meetings</b></li> <li>&gt; <b>Non-deal roadshows</b> with investors from Asia, UK and Europe</li> </ul>
<b>Analyst Briefings</b> (Led by CEO, CFO and Director – Investor Relations and attended by investment community)	<ul style="list-style-type: none"> <li>&gt; Covering the Company's <b>interim and annual results</b></li> <li>&gt; A dedicated analyst briefing call was conducted immediately following the release of a CLP Holdings profit warning announcement</li> </ul>
<b>Reports and Announcements</b>	<ul style="list-style-type: none"> <li>&gt; Annual Reports, Interim Reports and online <a href="#">Sustainability Reports</a> </li> <li>&gt; Quarterly statements</li> <li>&gt; Key announcements made: inside information; profit warning for EnergyAustralia earnings update; disclosable transaction for disposal and sell down of 10% of interest in Apraava Energy; appointment of Independent Non-executive Director; change of Non-executive Directors and Vice Chairman; and appointment of joint company secretaries</li> </ul>
<b>CLP Group Website</b> 	<ul style="list-style-type: none"> <li>&gt; CLP's approach on corporate governance and sustainability</li> <li>&gt; Policies and codes</li> <li>&gt; Information on AGM including meeting proceedings and minutes</li> <li>&gt; Updates of recent financial information and latest investor information</li> <li>&gt; Analyst briefings materials</li> <li>&gt; Publications and media releases</li> </ul>
<b>CLP Group Investor Relations app</b>	<ul style="list-style-type: none"> <li>&gt; Allows users to access the latest news from CLP including our announcements, media releases and financial reports</li> <li>&gt; Users can also access information such as <b>event calendar</b> and <b>share price data</b> at their convenience</li> </ul>

These channels allow us to receive feedback from our shareholders and investment community. In addition, we have the shareholders' hotline as well as dedicated investor relations and company secretary email accounts for taking enquiries and for receiving information requests from shareholders (see Information for Our Investors on page 324).

### Reviewing and enhancing shareholders communication

The Audit & Risk Committee is responsible for the annual review of the implementation and effectiveness of the [Shareholders' Communication Policy](#), which is available on our website. The most recent review was undertaken in October 2022 and the implementation and effectiveness of the Policy was confirmed. 

### Group Internal Audit

CLP's Group Internal Audit (GIA) department plays a major role in monitoring the internal governance of the CLP Group. The head of the department, Senior Director – GIA, leads a well-resourced department of 24 (including 4 staff from Apraava Energy) highly qualified professional staff.

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

### Independent Auditor

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

How the Group ensures the independence of the external auditor:

- > The lead audit partner for CLP is subject to rotation every seven years (as per The International Federation of Accountants rules on independence of external auditors).
- > As part of the rotation, the current lead audit partner was first appointed for the 2021 financial year-end audit and she did not have any prior involvement in the CLP Group audit.
- > PwC is required to give an annual confirmation on their independence.
- > The Audit & Risk Committee will assess PwC's independence in considering their re-appointment.

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

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


	2022 HK\$M	2021 HK\$M
<b>Audit</b>	<b>42</b>	41
<b>Permissible audit related and non-audit services</b>		
Audit related services (including Sustainability Report assurance, Continuing Connected Transactions limited assurance, limited assurance over EnergyAustralia's regulatory reviews and reporting, audits of CLP's provident funds and auditor's attestation)	12	9
Non-audit services (including tax advisory and other services)	–	1
<b>Total</b>	<b>54</b>	51

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

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

For the year ended 31 December 2022, the fees for permissible audit related services accounted for 22% of the total fees.

## Other Stakeholders

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

## Risk Management and Internal Control Systems

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

### Risk Management Framework

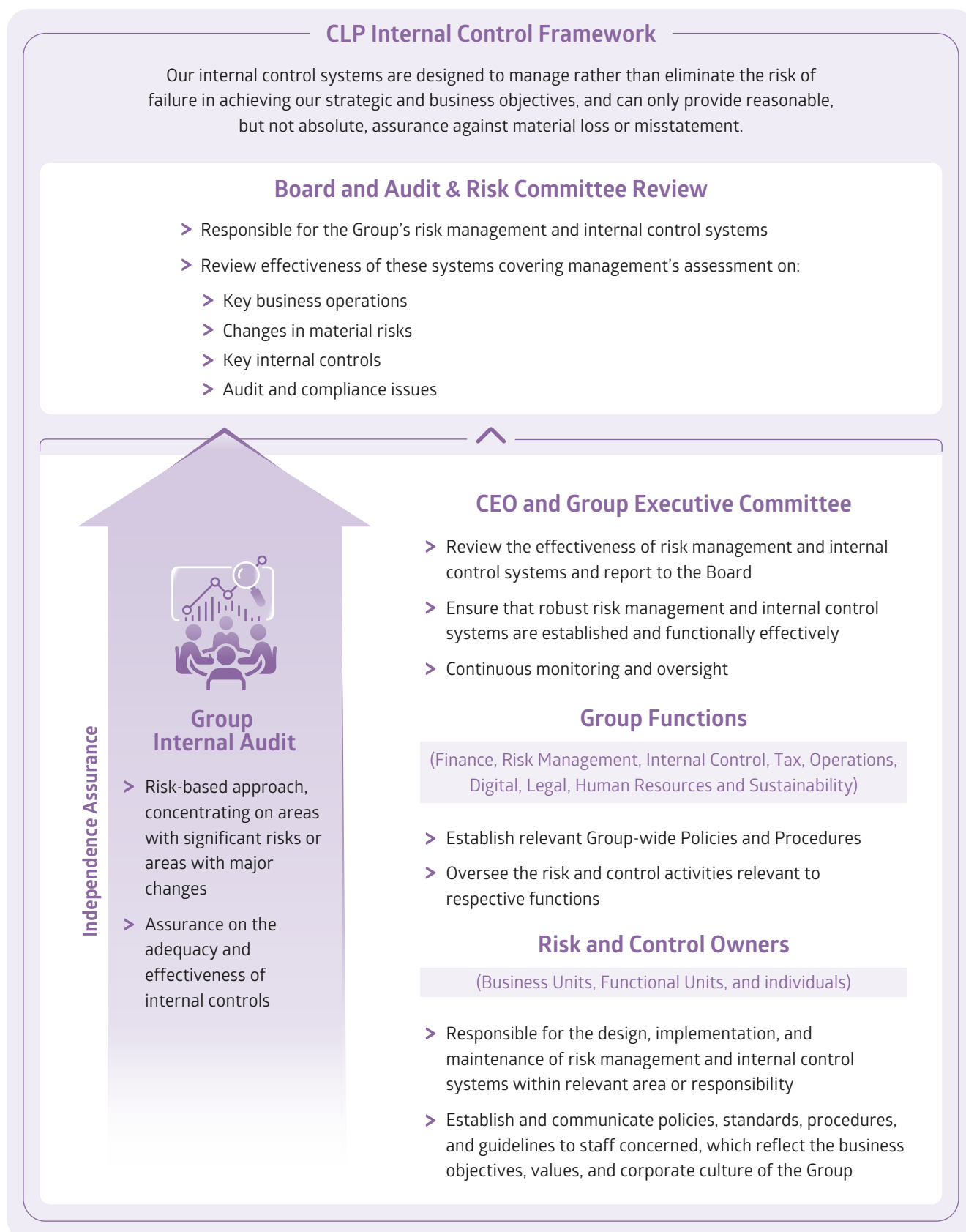
CLP's overall risk management framework is overseen by, and is the responsibility of, the Board, through its Audit & Risk Committee, and comprises four key elements.

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

The way we manage risk is set out in the Risk Management Report on page 143.

## Internal Control Framework

CLP's structure of internal control is based on the internationally recognised COSO (Committee of Sponsoring Organisations of the Treadway Commission) 2013 integrated framework.



## Management Assurance on Risk Management and Internal Control Systems

Management and designated staff evaluate the control environment and conduct risk assessments on business and processes. Material risks and associated controls, including mitigation when needed, are continually reviewed and updated. The Board is regularly informed of significant risks that may have an impact on CLP's performance.

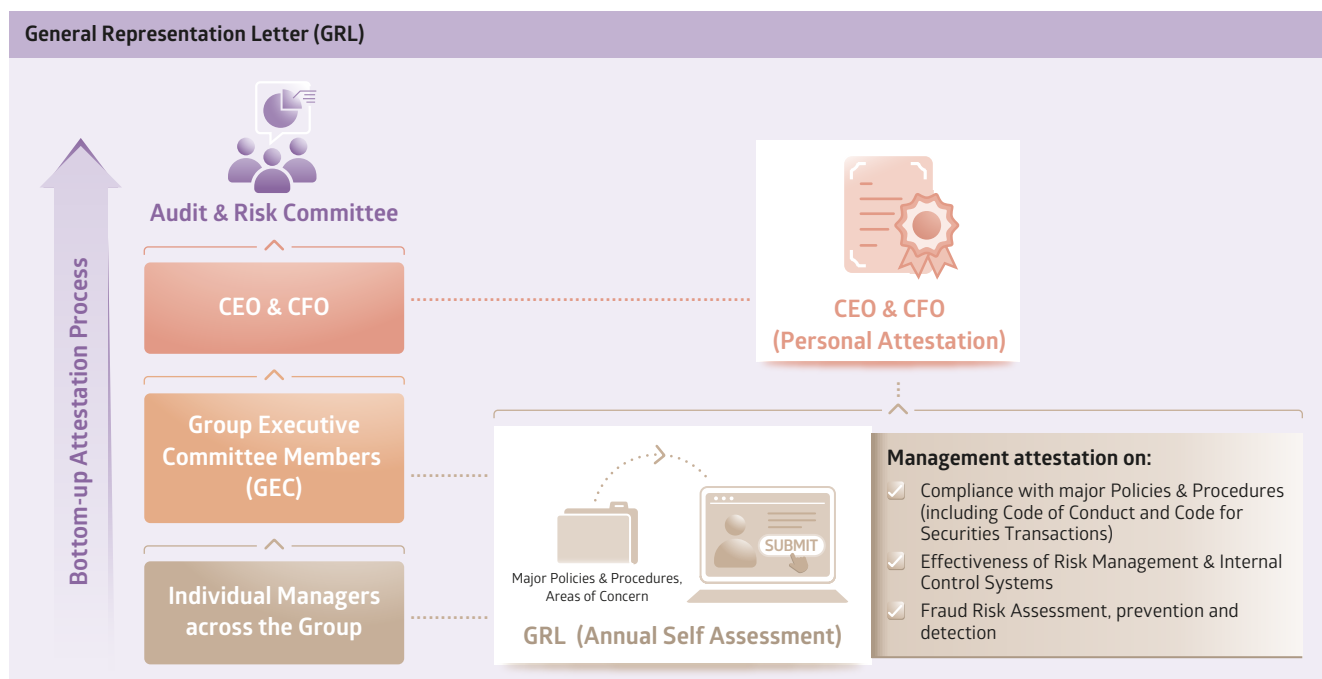
Integrated Assurance through Reporting and Attestation		Control Objectives		
		Operations	Reporting	Compliance
<b>Management (CEO and GEC members)</b>				
Regular management briefings	➤ Covers briefings to the Board on the Group's and individual business units' risks and opportunities, operational and financial performance.	✓	✓	
Management Attestation – General Representation Letter	➤ Attestation on: compliance with our Code of Conduct, major policies and procedures; discharging duties on risk management and internal controls; the prevention, identification and detection of frauds.	✓	✓	✓
<b>Group Internal Audit</b>				
Internal Audits Reports	➤ Audit reports: independent appraisal on compliance with policies and procedures, and evaluation of the effectiveness of the overall controls. ➤ Special review reports: focus on new business areas and emerging risks.	✓	✓	✓
<b>Group Functions</b>				
Risk Management Report	➤ Compiles Quarterly Group Risk Management Report, that is reviewed and approved by the Group Executive Committee.	✓	✓	✓
Internal Control Review Process	➤ Follows the substance of the requirements under the Sarbanes-Oxley Act on internal controls over financial statements. ➤ Covers the scoping of significant processes and controls, assessment on controls design and operating effectiveness. High risk key controls are tested annually while lower risk key controls are tested on a rotational basis. ➤ Key controls are also tested by the independent auditor where relied on for the audit.		✓	
Follow-up on outstanding audit issues	➤ Internal audit issues identified and associated remedial actions are followed up and the progress is reported periodically.	✓	✓	✓
Legal and Regulatory Compliance Report	➤ Covers key regulatory compliance issues and legal cases for each region of the Group.			✓

Management Assurance

Board / Audit &amp; Risk Committee (ARC)



## CLP's General Representation Letter Process



## Effectiveness of Risk Management and Internal Control Systems

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

### The review process

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

For the year ended 31 December 2022, the Board considered the risk management and internal control systems of the Group to be effective and adequate. No significant areas of concern that might affect shareholders were identified.

### Inside Information

We have our own [Continuous Disclosure Obligation Procedures](#) which set out the procedures and controls for handling and dissemination of inside information. The Procedures are on the CLP website. Our Continuous Disclosure Committee (established in 2016) conducted regular assessment of potential inside information. The members of the committee include the CEO, CFO, the Joint Company Secretaries and the Director – Investor Relations. Please also see "Our disclosure" on page 114.

## Corporate Governance – Continuing Evolution

As part of good governance, we do review and assess our own corporate governance practices and policies to ensure that these will continue to be value enablers for the business. We hope this Corporate Governance Report has been able to demonstrate that.

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

By Order of the Board



**David Simmonds**  
Chief Governance Officer  
Hong Kong, 27 February 2023



### A few words from our newly appointed Board Members\*

I am delighted and excited to be joining the CLP Board. CLP's commitment to good governance and doing the right thing for and by the communities that CLP serve are values that are well aligned with my own personal values.

**Mr Bernard Chan**  
joined the Board in October 2022

I am very excited about the transition from an executive role to a non-executive role. I do expect that in my new role as a Non-executive Director, the focus will be on oversight and strategy setting for the Group and in carrying out these duties, I will be drawing from my years of experience at CLP and my understanding of the business.

**Mrs Betty Yuen**  
joined the Board in January 2023



\* Full text of these Messages is set out in the Notice of AGM.