

Risk Management Report

Proactive and effective risk management is an essential ingredient of good corporate governance, and a cornerstone of the long-term growth and success of CLP.

CLP's Risk Management Framework

In line with international standards and best practices, CLP defines risk as the effect of uncertainty on objectives. The effect can be positive, negative, or both, and can result in opportunities and threats. CLP aims to identify risks early so threats can be understood, managed, mitigated, transferred or avoided while opportunities can be captured where appropriate. This demands a proactive approach and an effective Group-wide risk management framework. The risk management framework at CLP comprises four key elements:



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 opportunities for growth and transformation, 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 seeks to identify, analyse, evaluate and mitigate operational hazards and threats while enhancing and capturing opportunities for operational improvement where appropriate. It does this to create a safe, healthy, efficient and environmentally friendly workplace for employees and contractors while ensuring public safety and health and minimising environmental impact, as well as securing asset integrity and adequate insurance.

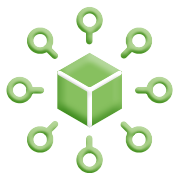


CLP's Risk Appetite

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

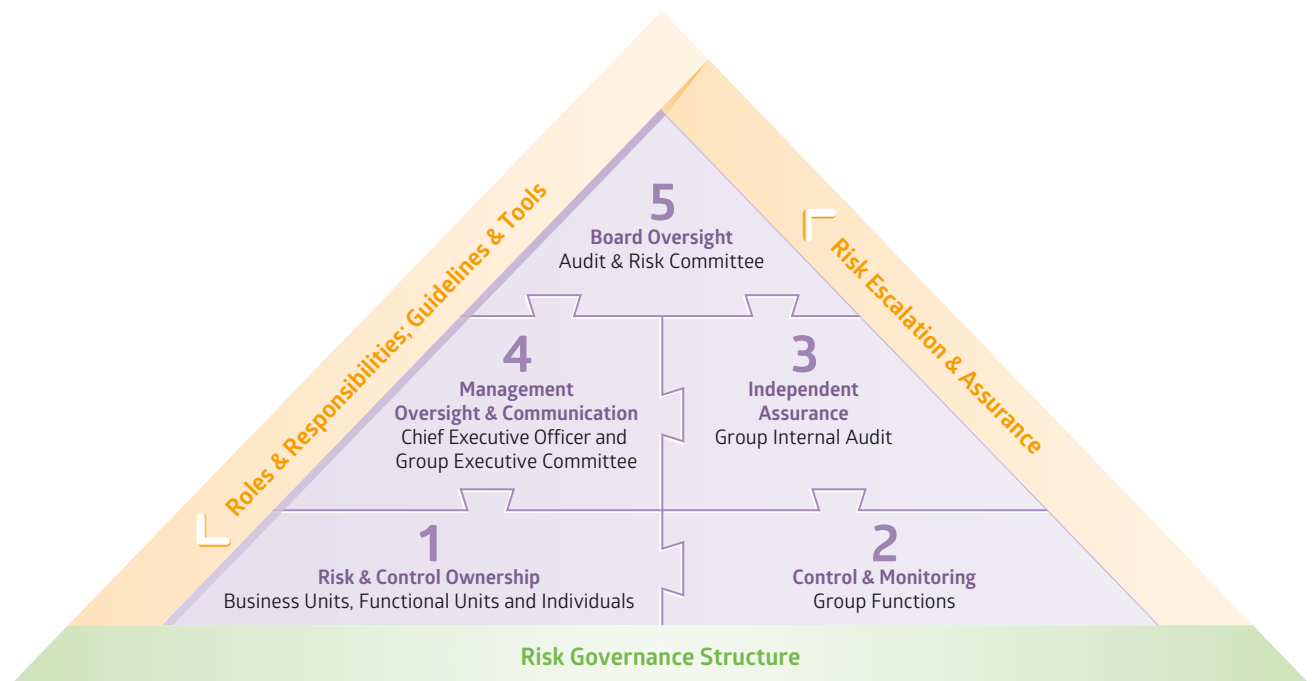
- > Hazardous conditions affecting the health and safety of employees, contractors and the general public;
- > Material financial losses impacting the financial viability and strategy execution of the Group;
- > Material breaches of external regulations that could lead to fines or loss of critical operational 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 likelihood. When assessing a risk, CLP therefore considers non-financial consequences, as detailed in its risk appetite, in addition to financial ones.



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; and
- > Adopts the **Five Lines of Assurance** approach as explained below:



Five Lines of Assurance

1 Risk and Control Ownership	Business Units, Functional Units, and Individuals: <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 and implementing risk mitigation strategies, balancing opportunities and threats, 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.
2 Control and Monitoring	Group Functions: Departments responsible for Finance, Risk Management *, Internal Control, Business Development and Asset Management Oversight, Tax, Operations, Information Technology, Legal, Human Resources and Sustainability: <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 the role of Group Risk Management below)</i>
3 Independent Assurance	The Group Internal Audit: <ul style="list-style-type: none"> > Carries out independent appraisal of the effectiveness of the risk management framework.
4 Management Oversight and Communication	The CEO and the Group Executive Committee: <ul style="list-style-type: none"> > Provide leadership and guidance for the balance of risks; > 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.
5 Board Oversight	The Audit & Risk Committee, acting on behalf of the Board: <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

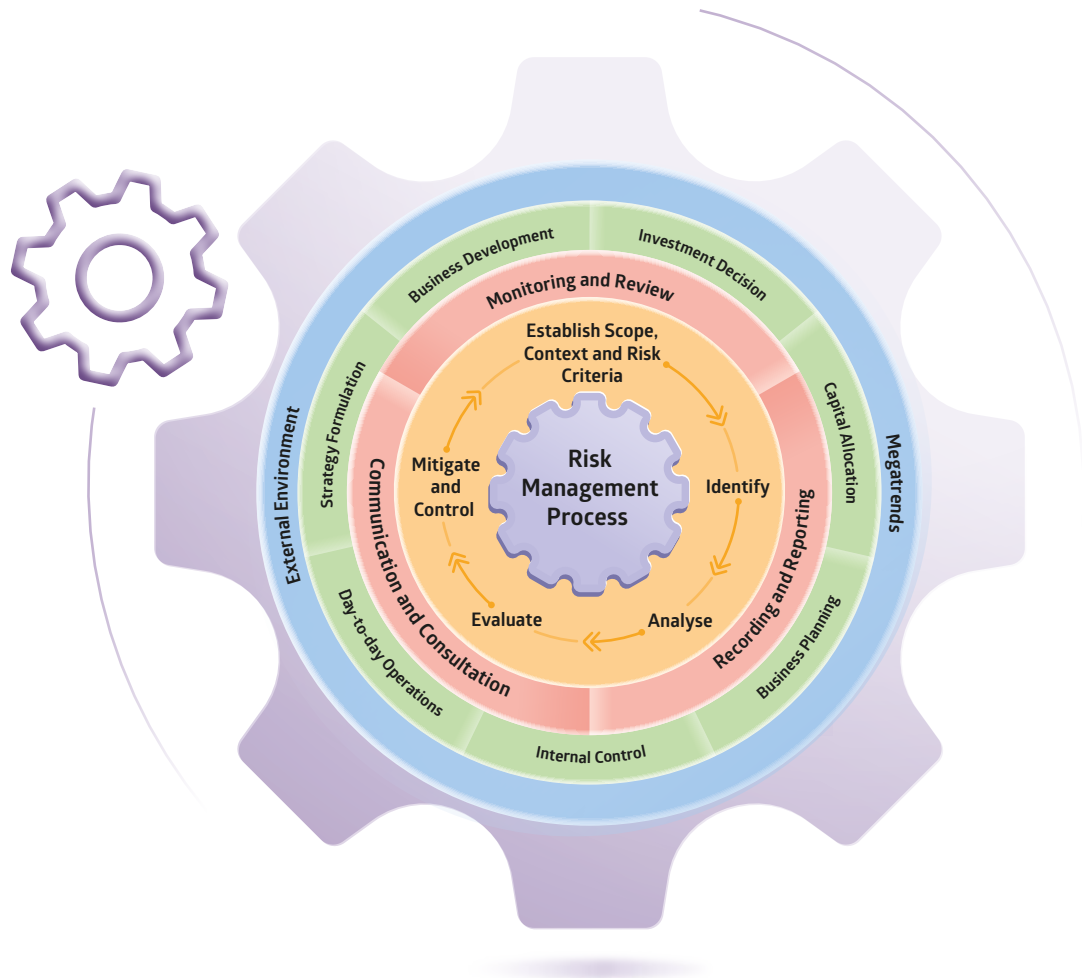
The Group Risk Management function is tasked with:

- > 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.



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 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.
 - ✓ 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:

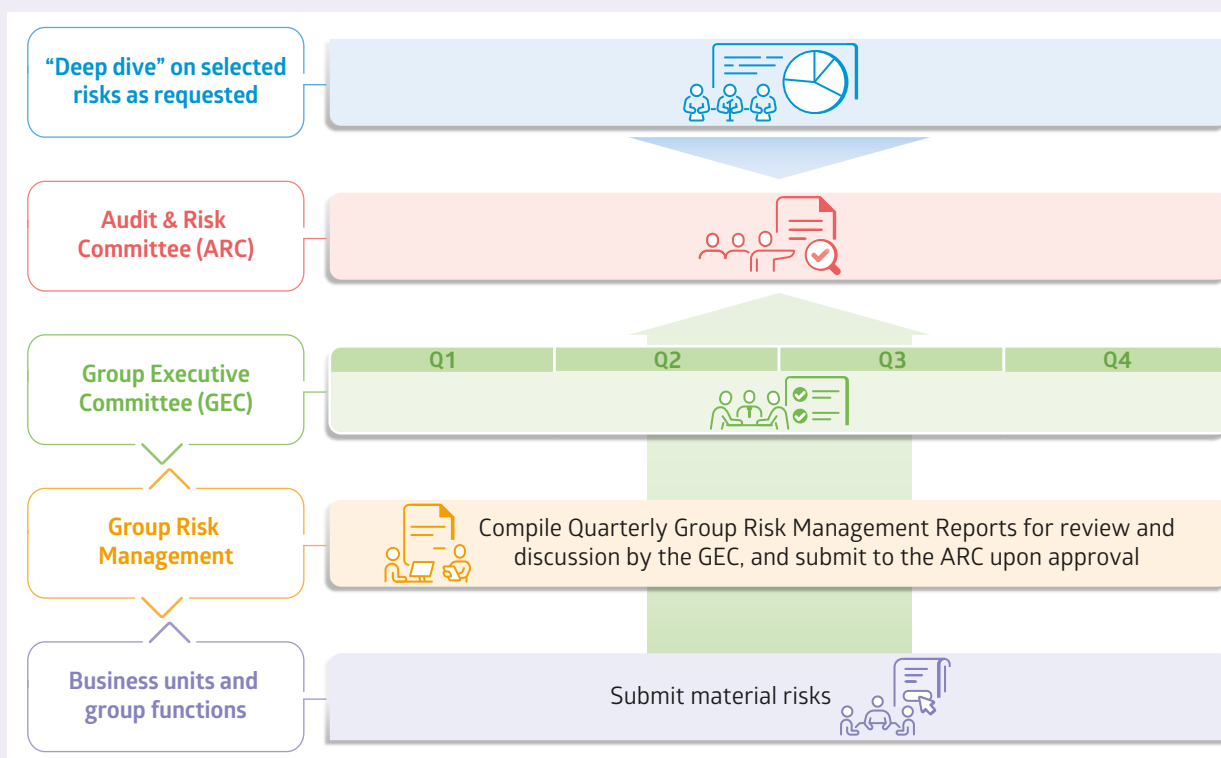
- (1) Comprehensive identification and prioritisation of all material risks throughout the Group;
- (2) Containment of material risks at the appropriate managerial level;
- (3) Effective risk dialogue among the management team; and
- (4) Proper governance of risk mitigation efforts.

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 given 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.
- Investment opportunities or projects seeking endorsement by the CLP Holdings' Investment Committee are reported through the Project Investment Opportunities process, managed by the Business Development & Asset Management Oversight team of Group Finance.
- In addition, 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 138 to 142.

Risk Management in the Business Planning Process

- At CLP, risk management is integrated into strategy and business planning by departments and business units across the Group.
- 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 149 to 155 have been set out in CLP's 2023 business planning process.

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:

Managing Material ESG Topics for Business Sustainability

CLP regularly reviews how environmental, social and governance (ESG) issues are impacting the business and its stakeholders through an annual materiality assessment. The review process detailed on pages 22 to 23 helps align the Group's strategy with its purpose and responds to the evolving needs of stakeholders, uncovering emerging ESG challenges and opportunities for consideration in the risk review and business planning processes.

Following the latest assessment, five financially material topics that create or erode enterprise value were identified:



Shaping and executing the transition to net zero



Bolstering energy security and reliability



Pursuing energy growth opportunities in our core markets



Building an agile and innovative workforce





















Reinforcing resilience in a changing operating environment



CLP's top-tier risk tables on pages 150 to 155 illustrate the correlation between material risks and the financially material topics.

Material Risks to the Group (continued)

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>CLP continues to face the risk of safety incidents and contractors' safety management. Construction safety challenges are expected with a number of major projects entering or in construction phase.</p>	<p>CLP manages operational risk by:</p> <ul style="list-style-type: none"> a) Implementing Group-wide initiatives on eliminating exposure to serious injuries and fatalities (SIF) including the introduction of the Safety in Design framework, improvements to the incident investigation process and Group HSE Assurance Plan; b) Introducing Human and Organisational Performance (HOP) aspect in HSE management through the business with a focus on learning from frontline work and HOP lens in incident investigation process; c) Implementing Group HSE Management systems documents (Operational enablers) with a focus on critical controls in line with SIF potential; d) Implementing operations and systems reinforcements to maintain a high operational and emissions performance; e) Consolidating emergency response, crisis management, disaster recovery and business continuity plans with regular drills; f) Enforcing a Group-wide Project Management Governance System to facilitate the delivery of high-quality projects; and g) 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	Related Material Topic(s)	Changes in 2022	Additional References
1. Major HSE incidents			Pages 56, 62, 82-83
2. COVID-19 outbreak			Pages 42, 48, 94-96
3. Cyber security attack – OT systems			Pages 80, 159
4. Cyber security attack – IT systems			Pages 80, 159
5. Physical security breach			Pages 77-78
6. Major failure – generation assets			Pages 43, 55, 77
7. Climate change – physical risk			Page 77
8. Renewables – lower performance			Pages 50, 60-61
9. Major projects delay / cost overrun			Pages 42-43

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

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 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 and having formal governance over technology architecture and design decisions, as well as the execution of major programmes, while developing a data-driven, innovative culture.

Group Top Tier Risks – Commercial	Related Material Topic(s)	Changes in 2022	Additional References
10. Gas supply shortage – Hong Kong			Page 43
11. Coal supply shortage – Australia			Page 58
12. Tariff adjustment challenge – Hong Kong			Pages 42, 78
13. Delayed tariff payments in India and national renewable energy subsidies in Mainland China			Pages 49, 60
14. Digital transformation risk			Pages 72, 80, 84
15. Procurement and supply chain capabilities risks			Page 91
16. Decarbonisation and other commercial disputes with joint venture partners in coal power assets			Pages 49, 51-52, 69-70

Material Risks to the Group (continued)

Regulatory Risk	
<p>CLP's capability to achieve more stringent performance targets in Hong Kong presents a short-term regulatory risk exposure, while there is a possible risk of adverse regulatory changes in the medium to longer term.</p> <p>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.</p> <p>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.</p> <p>As CLP progresses its strategy to address climate change challenges, the pace of change in Government policies, regulations, technologies and market structures could be faster than the Group's responses.</p>	<p>CLP manages regulatory risk by:</p> <ul style="list-style-type: none"> a) Closely monitoring regulatory development as well as market and public sentiments; 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 greenhouse gas emissions by 2050 and progressively phase out remaining coal-fired generation assets before 2040; g) Working 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	Related Material Topic(s)	Changes in 2022	Additional References
17. Regulatory changes – Hong Kong			Page 45
18. Regulatory changes – Australia			Page 58
19. Regulatory changes – Mainland China			Pages 51-52
20. Climate change – transition risk			Pages 56-57, 69-72, 92-94
21. International sanctions risk			Pages 73, 78
22. Regulatory compliance – Australia			Page 80

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.

In the first half of 2022, CLP Holdings extended an aggregate of A\$1.35 billion in short-term shareholders' loans to help EnergyAustralia meet its liquidity needs and margin call for energy derivatives following an unprecedented spike in forward electricity prices.





CLP manages financial risk by:

- a) Timely review and replenishing of 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	Related Material Topic(s)	Changes in 2022	Additional References
23. Financial market volatility	—	↔	Pages 73-76, 295-304
24. Availability of competitive funding	—	↔	Pages 73-76, 295-304
25. Default of Group's financial counterparties	—	↔	Pages 73-76, 295



Material Risks to the Group (continued)

Market Risk	
<p>EnergyAustralia's business faced considerable operational challenges amid unprecedented conditions in Australia's energy markets. The business incurred high costs to settle forward contracts that could not be covered due to reduced generation at Yallourn Power Station and Mount Piper Power Station as a result of a variety of operational issues.</p> <p>Business in Mainland China has been affected by changes in the structure of the economy, tighter environmental rules, increasing market sales and coal price volatility. Rising coal prices continued to affect the margins of coal-fired power stations in 2022. Higher tariffs negotiated with customers partially alleviated the situation but were insufficient to cover the fuel cost impact. Nevertheless, this exposure has significantly reduced since the divestment of Fangchenggang in November 2022.</p>	<p>CLP manages market risk by:</p> <ul style="list-style-type: none"> a) Regular review of business operations including, but not limited to, plant reliability estimates, hedging strategies, business planning approaches and company capital structures; b) Managing market offers including pricing and other service differentiators for customer acquisition and retention; c) Actively managing CLP's wholesale energy portfolio, and implementing hedging strategies to align wholesale and retail positions; d) Following approved energy risk policy, with energy market transactions subject to approved limits and controls; e) Exploring different revenue streams and value-added services for customers, while continuing business innovation to meet evolving customer needs; f) Improving current operations, fuel procurement and development strategy, while closely monitoring operating cash flow in view of market volatility; and g) Investing in plant reliability and upgrades and delivering good plant performance.

Group Top Tier Risks – Market	Related Material Topic(s)	Changes in 2022	Additional References
26. Unprecedented volatility in wholesale electricity market impacting EnergyAustralia			Pages 54-55, 58
27. Market risks in Mainland China			Pages 49, 51-52

Material Risks to the Group (continued)

Human Resources Risk	
<p>Executing the decarbonisation and digital transformation agenda and realising current and potential opportunities in Hong Kong and Mainland China, especially the Greater Bay Area (GBA), will bring significant challenges in succession management, talent attraction and retention, leadership, culture change and implementation of new operating model. Organisation capability development challenges are likely to be exacerbated in the coming years by continued geopolitical volatility, socioeconomic issues, the pandemic situation and demographic shifts.</p>	<p>CLP manages human resources risk by:</p> <ul style="list-style-type: none"> 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	Related Material Topic(s)	Changes in 2022	Additional References
28. Organisation capability development for growth and transformation			Pages 82-87

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 pages 144 to 145 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 – 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 141 and the Audit & Risk Committee Report on page 159.



Nicolas Alain Marie Tissot
Chief Financial Officer
Hong Kong, 27 February 2023


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 reported period (full-year 2022 and for 2023 up to the date of this Report) (the Period):

Mr Nicholas C. Allen (the Chairman)*	+	Mrs Fanny Law	+	Ms May Siew Boi Tan*	+	Mr Chunyuan Gu
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* Ms May Siew Boi Tan will succeed Mr Nicholas C. Allen as the Chair of the Committee with effect from 28 February 2023 and Mr Allen will remain as a Member of the Committee.

[Biographies](#) of the Members are set out in Board of Directors on page 100 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;
- > Chief Strategy, Sustainability and Governance Officer – Mr David Simmonds;
- > Senior Director & Group Controller – Mr Pablo Arellano;
- > Senior Director – Group Internal Audit (GIA) – Ms Kathy Liu;
- > Joint Company Secretary – Mr Michael Ling; 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 Period, the Committee held six meetings in 2022 and another two meetings in 2023. 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 2022 meetings is set out in the Corporate Governance Report on page 124.

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 five EnergyAustralia ARC meetings and the Chairman of EnergyAustralia ARC participated in three meetings of the Committee. In addition, Members of the Committee attended additional EnergyAustralia ARC meetings in July and December where key accounting judgements for EnergyAustralia's half-year and full-year financial statements were considered.

Highlights of the Committee's Work

The Committee devoted considerable time in overseeing the financial reporting for the Group, reviewing the Group Internal Audit reports and monitoring some of the material risks faced by the Group.

In advance of the release of the CLP Holdings profit warning announcement in June regarding the unfavourable fair value movements on the forward contracts of EnergyAustralia, the Committee had a deep dive session into the underlying financial position of EnergyAustralia.

On risks, in addition to the standing item of cybersecurity, the topics "Impact of Recent Global Energy Developments" and "Update on EnergyAustralia's challenges" were presented and the associated risks were examined by the Committee.

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

	2022						2023	
	Jan	Feb	Apr	Jun	Aug	Oct	Jan	Feb
Risk Management, Internal Control and Compliance								
Quarterly risk management report		●	●		●	●		●
In depth briefing on heightened risk topics								
> EnergyAustralia retail business			●	●		●		
> Cybersecurity			●			●		
> Global energy briefing			●					
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	●	●		●	●		●	●
ESG 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 half-year and full-year financial statements, the Committee examined and received the General Representation Letters from the CEO and CFO (see page 141 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, management presented deep dive briefings on the following topics:</p> <ul style="list-style-type: none"> > EnergyAustralia – Management gave an update and explained the latest financial position and challenges for EnergyAustralia. The Committee considered and discussed with management the potential exposure of the energy forward contracts; the implications on the risk environment for EnergyAustralia; and the strategy on the forward selling of energy contracts. > Cybersecurity – Management explained to the Committee the strategic approach of cybersecurity and the need for a strong level of engagement and transparency with the business unit. The Committee was particularly focused on the convergence of information technology and operational technology and how the business case and risks should be managed; and the challenges of recruiting and retaining talents for the cybersecurity function. The Committee also took note that the EnergyAustralia ARC was actively overseeing the cybersecurity issues for EnergyAustralia. > Recent Global Energy Developments – With the challenging global energy markets developments, management presented to the Committee the impact of the recent global developments on the business units of the CLP Group namely, Hong Kong, Australia and the Mainland China business. The Committee examined the potential impact of the fuel prices and the security of supply on the different business units and assets of the Group.
Reporting on risk management	<p>With the evolving situation, the Committee analysed and monitored the potential risks and impacts of the Russia-Ukraine conflict through the additional reporting on these issues by management.</p>
Cybersecurity	<p>Cybersecurity continued to be an important area of oversight of the Committee and is a standing agenda item for the April and October Committee meetings.</p>

Areas of Focus

Risk Management, Internal Control and Compliance

Compliance	<p>As part of the review of the half-year and full-year financial statements, the Committee considered a comprehensive legal and regulatory report on the Group covering 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 the Committee supported the considered reasons for this exception (please refer to page 115).</p>
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Annual and Interim Financial Reports

Annual Reports and Interim Report	The Committee reviewed the 2021 and 2022 Annual Reports and the 2022 Interim Report and on the recommendations from the Committee, these were approved by the Board.
2022 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 renewable projects in Mainland China, and the accounting treatments and disclosures of key transactions and events.</p> <p>The Committee critically assessed these and found the judgements put forward to be acceptable for each of the issues presented.</p>
ESG data assurance	<p>The Committee considered and acknowledged PwC's report on the ESG data assurance in respect of the 2021 and 2022 identified ESG metrics disclosed in the Annual Report, Sustainability Report and Climate-related Disclosures Report.  </p> <p>The Committee considered and approved the appointment of PwC India for undertaking the integrated reporting assurance for Apraava Energy.</p>

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 those units.</p> <p>For the year 2022, a total of 22 audit, 13 special reviews and one 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>
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Areas of Focus

Internal and External Auditing

Internal audit function	<p>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.</p> <p>From the independent peer review of GIA that was conducted by Ernst & Young in 2021, it was concluded that the GIA projects performed were found to be in generally conformance with the IIA (the Institute of Internal Auditors) Standards and there was an overall positive response on GIA's effectiveness; in addition, a number of recommendations were also made. As a follow up for 2022, the Committee took note of the implementation of the follow up actions when considering the effectiveness of the GIA function.</p> <p>The proposed framework for technology audit and the implementation by GIA were well received by the Committee and Members of the Committee encouraged the greater use of technology in the internal audit related work.</p>
Financial Statements – auditor's opinion	<p>For both the 2021 and 2022 financial statements, PwC presented the auditor's opinion on the financial statements and the Key Audit Matters that had material impacts on the financial results and position of the Group. The Key Audit Matters identified were considered and reviewed by the Committee.</p>
Fees to independent auditor and its re-appointment	<p>The Committee reviewed the following fees payable to PwC:</p> <ul style="list-style-type: none"> ➤ audit fees for 2021 and 2022 for approval by the Board; and ➤ permissible audit related and non-audit services provided by PwC for 2021 and 2022. <p>In addition, the Committee reviewed the revisions to the Guidelines on audit, audit related and non-audit services provided by the external auditor. It also reviewed the proposed permissible audit related and non-audit services to be provided by the external auditor in the coming year.</p> <p>At the 2022 AGM, over 99% of the shareholders voting supported the re-appointment of PwC and they were re-appointed as independent auditor for 2022.</p> <p>Having considered PwC's performance and independence as CLP's independent auditor, the Committee recommended to the Board that PwC be re-appointed as independent auditor for 2023 and this will be considered by shareholders at the forthcoming AGM. PwC also issued a letter of independence to the Committee.</p> <p>Ms Yee Shia Yuen has been the lead audit partner for CLP since 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.</p> <p>Further details of the fees payable to PwC and the assessment of their independence can be found on page 137.</p>

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, including auditors' rotation and topical Board-related issues such as Board tenure and time commitment.</p> <p>The Committee also reviewed the revised and amended CLP Code.</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 the 10 breaches in 2022 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 2021 ethics and controls commitment survey for the employees and took note that the "below-the-line" survey answers were at a low level, which was consistent with results of the previous years.</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 full-year 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 Corporate Governance Code. Full [terms of reference](#) can be found on CLP's and the Hong Kong Stock Exchange's websites. 

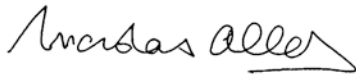
Audit & Risk Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Committee during 2022 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

It has been a pleasure to serve on this Committee as the Chair and I'm pleased that the incoming Chair is well qualified and experienced to lead this Committee forward. The operating environment for the Group will only become more complex and challenging, however, it gives me great confidence that the Committee is in good stead to help the Group navigate through this with a well-developed process of checks and balance and clear oversight of the matters that this Committee is responsible for.



Nicholas C. Allen


Chairman, Audit & Risk Committee
Hong Kong, 27 February 2023

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 reported period (full-year 2022 and for 2023 up to the date of this Report) (the Period):

Mr Richard Lancaster (Chief Executive Officer) (the Chairman)	+	Mr Nicholas C. Allen (Independent Non-executive Director)	+	Mrs Fanny Law (Independent Non-executive Director)	+	Ms May Siew Boi Tan (Independent Non-executive Director)		
Ms Christina Gaw (Independent Non-executive Director)	+	Mr Bernard Chan (Independent Non-executive Director) (appointed in October 2022)	+	Mr Andrew Brandler (Non-executive Director)	+	Mr Philip Kadoorie (Non-executive Director)	+	Ms Quince Chong (Chief Corporate Development Officer)

[Biographies](#) of the Members are set out in Board of Directors on page 100, Senior Management on page 108 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 116 of the Corporate Governance Report on “CLP's Approach to ESG Reporting”).

The Sustainability Committee holds the primary role of overseeing the management of the Group's sustainability issues. The Committee is supported by the management-level Sustainability Executive Committee which in turn provides oversight of management's implementation of sustainability-related strategies, policies and goals. The Group Sustainability Department reports to and seeks guidance from the Committee and the Sustainability Executive Committee on a range of sustainability matters including climate action, embedding sustainability practices into business strategies and planning, emerging sustainability risks and opportunities, and sustainability and climate-related reporting.

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

- Chief Financial Officer – Mr Nicolas Tissot;
- Chief Operating Officer – Mr Derek Parkin (since September 2022), in place of Mr Michael Hutchinson, Acting Chief Operating Officer (since December 2021);
- Chief Strategy, Sustainability and Governance 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 four times during the Period.

Highlights of the Committee's Work




Following on from the publication of our Climate Vision 2050, the Committee has been closely monitoring the evolving developments on climate change. Ensuring that the Committee maintains a balanced view and is updated on the topical ESG issues, the Committee was briefed on the latest developments by two leading external experts on separate occasions on the topics of the impact of the energy crisis on climate action and the key outcomes of COP27. On the other hand, the Committee had a robust review of the Climate Vision 2050 and how CLP's performance and commitment on climate action have been received by CLP's stakeholders.

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

	Feb	2022 Oct	Nov	2023 Feb
Climate Change-related Matters	●	●	●	●
Other Sustainability Matters – risks, opportunities and emerging issues		●	●	
Sustainability Reporting / Indices Performance	●		●	●
Sustainability Governance			●	
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 review and climate-related disclosures</p> 	<p>The Committee examined the feedback and comments from CLP's stakeholders on the Climate Vision 2050 targets. The Committee considered the comments in light of CLP's position in the different markets that the Group operates in and that CLP should formulate its unique climate action narrative having due regard to the markets and community needs. Key updates to the narrative regarding Climate Vision 2050 were proposed and considered by the Committee and these included the position on coal-fired assets and the impact of the strategy for the international business on CLP's carbon reduction. The Committee endorsed the proposed approach of enhancing the disclosures in these areas in the coming Annual Report, Sustainability Report and Climate-related Disclosures Report.  </p>
Climate change-related developments and risks	<p>The Committee received a briefing from Lord Adair Turner (Chair of the Energy Transitions Commission) on the impact of the energy crisis on climate change. The key topics that were covered in the discussion included the forecasted total system generation costs in zero carbon power systems; the forecasted demand for hydrogen and the associated sources of supply and production costs; the global energy transition investment by sector; and the Russia-Ukraine conflict and the possible alternatives to Russian gas.</p> <p>The Committee had the benefit of a briefing by another international climate change expert, Mr Dirk Forrister (CEO of the International Emissions Trading Association), on the key developments at COP27, including the carbon market status and the role that both compliance and voluntary carbon markets are expected to play in achieving the goal of "net-zero".</p>
Other Sustainability Matters – risks, opportunities and emerging issues	
Voluntary Carbon Markets	The Committee was briefed on the recent developments and trends in the voluntary carbon markets and implications for CLP. The Committee took note of some of the key challenges of these markets which included an opaque market and under-regulation with concerns of credibility, price discovery, decarbonisation hierarchy and lack of disclosure obligations.
Sustainability Materiality Assessment	The materiality assessment for 2022 had been updated and the Committee was supportive of the results of the materiality assessment, including the continued use of the double materiality framework.

Areas of Focus

Sustainability Reporting / Indices Performance

Sustainability Reporting Standards



The Committee considered and endorsed the enhanced approach to reporting for the Annual Report and [Sustainability Report](#), in particular, the stakeholder approach and the continued use of financial materiality and impact materiality. The Committee noted that CLP's latest [Climate-related Disclosures Report](#) was based on the Exposure Draft of the ISSB draft standard and overall, CLP would be well positioned to meet the new reporting standards when they come into effect in the future. 🌱🍷

The Committee also considered and endorsed the contents of the [2022 Sustainability Report](#) and the [Climate-related Disclosures Report](#). 🌱🍷

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 2022 sustainability ratings for CLP's 2021 sustainability performance are shown in the following table. The scores reflected the performance of the year before.

Index Name	2022 Score	2021 Score	2020 Score
DJSI	75	77	77
CDP – Climate Change	A–	A–	B
Hang Seng Corporate Sustainability Index	AA+	AA	AA–
FTSE4Good	4.1	3.4	3.6
MSCI ESG Leaders Indexes	A	AA	AA
Sustainalytics ESG Risk Ratings*	26.9 Medium Risk	27.8 Medium Risk	29.9 Medium Risk

* A lower score represents a lower ESG risk.

Sustainability Governance

Annual review of ESG resources

The Committee endorsed the key findings from the annual review of the ESG performance and reporting function which assessed the adequacy of resources, staff qualifications and experience, training programmes and budget.

Areas of Focus

Health, Safety, Security and Environment

Environmental target setting	The Committee considered and endorsed the short- and long-term environmental performance targets proposed by management, with considerations on the proposed metrics and the dominant contributors on emissions and resources for the CLP Group.
Operational Health, Safety, Security & Environment Standards	The Committee examined and approved the HSE Plan (2022-2024) which sets out a series of initiatives to strengthen HSE performance across CLP operations through building capabilities, rethinking risk, involving stakeholders, maintaining a healthy and engaged workforce and ensuring environmental sustainability.

Community, Charitable and Environmental Partnerships and Initiatives

Community initiatives	The Committee reviewed management's report on the community initiatives undertaken by CLP in 2022 and gave their support on the 2023 programme highlights for Hong Kong, Mainland China, EnergyAustralia and Apraava Energy.
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Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

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


Accountability

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

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

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

Terms of Reference

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

Looking Ahead

The expectations regarding the Group's climate action commitment will only get more demanding. The Committee will need to ensure that it is kept well updated of the development and trends at the international and regional level and of the stakeholders' feedback. A key focus for the Committee for the year ahead will be to continue to undertake a critical review of the Climate Vision 2050 and the targets including a review of current and emerging technologies that are expected to facilitate the energy transition.

A handwritten signature in black ink, appearing to read 'R. Lancaster'.

Richard Lancaster

Chairman, Sustainability Committee

Hong Kong, 27 February 2023

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 reported period (full-year 2022 and for 2023 up to the date of this Report) (the Period):

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

The Hon Sir Michael Kadoorie
(Non-executive Director)

Ms May Siew Boi Tan
(Independent 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 100 and on our website. 

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

- > Chief Executive Officer – Mr Richard Lancaster;
- > Chief Strategy, Sustainability and Governance Officer – Mr David Simmonds; and
- > Joint Company Secretary – Mr Michael Ling.

Meetings and Attendance

The Committee meets as frequently as required and the Committee met once during the Period. Despite meeting only once during the Period, the Committee covered a good deal of work outside of the scheduled meeting as detailed below.

Highlights of the Committee's Work

The Committee considered and dealt with a number of important matters outside of the scheduled meeting. These included setting the desired profile for the potential candidate for an Independent Non-executive Director as well as the Members meeting and interviewing the then potential candidate of Mr Bernard Chan which led to the formal appointment. As part of the efforts to continuously refresh the Board, the Committee considered the retirement and succession of the Vice Chairman of the Board and the appointment of Mrs Betty Yuen as a Non-executive Director.

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>Appointment of Mr Bernard Chan as Independent Non-executive Director</p> <p>The Committee considered and endorsed the nomination of an additional Independent Non-executive Director for the Board's approval. The search process was conducted by Korn Ferry, an independent consulting firm.</p> <p>Mr Bernard Chan was considered the leading candidate having regard to his governmental relations in Hong Kong and China with over 20 years of experience working with senior officials of the Hong Kong Government.</p> <p>The Committee noted that Mr Chan has a strong commitment to public service and service on listed companies and he has had a commendable track record of high attendance rate for general meetings, board meetings and board committee meetings of the other listed companies of which he is a director. Prior to Mr Chan taking up CLP's appointment, he has stepped down as the Convenor of the Non-Official Members of the Executive Council of the previous HKSAR Administration and other ex-officio positions, this is expected to significantly reduce his level of commitment. In addition, Mr Chan has undertaken to devote sufficient time to attend to the affairs of the Company, the Committee is of the view that Mr Chan would be able to devote sufficient time to fulfill his duties as an Independent Non-executive Director of the Company, despite his directorship with CLP would be his seventh listed company directorship.</p>
	<p>Appointment of Mrs Betty Yuen as Non-executive Director and Mr Andrew Brandler as Vice Chairman of the Board</p> <p>With the retirement of Mr William Mocatta as the Vice Chairman of the Board on 31 December 2022, the Committee endorsed (i) the appointment of Mrs Betty Yuen as a Non-executive Director – she was formerly a Senior Management member of CLP and she joined Sir Elly Kadoorie & Sons Limited as Special Advisor in January 2023; and (ii) the appointment of Mr Andrew Brandler as the Vice Chairman of the Board, both with effect from 1 January 2023.</p> <p>As disclosed in the CLP Holdings announcement for Mrs Yuen's appointment, she was regarded as having extensive experience and understanding of the CLP Group's business, in particular, the strategic direction of the Group's electricity business in Hong Kong and Mainland China.</p>

Areas of Focus	
Board Committees refresh	<p>The Committee considered the evolving demands of the Board Committees and the changes in the Board composition in 2022. The Committee had due regard to the unique experience, expertise and background of the Directors concerned and the Committee reviewed and endorsed the following appointments for the relevant Board Committees for approval by the Board:</p> <ul style="list-style-type: none"> ➤ appointment of Mr Bernard Chan as a Member of the Sustainability Committee with effect from 18 October 2022; ➤ appointment of Mr Andrew Brandler as the Chairman of the Finance & General Committee in place of Mr William Mocatta with effect from 1 January 2023; ➤ appointment of Mr Chunyuan Gu as a Member of the Human Resources & Remuneration Committee to take effect from 28 February 2023; and ➤ appointment of Ms May Siew Boi Tan as the Chair of the Audit & Risk Committee to succeed Mr Nicholas C. Allen to take effect from 28 February 2023, with Mr Allen remaining as a Member. <p>Details of the Board Committees composition are set out in the Corporate Governance Report on page 124.</p>
Board Diversity Policy and diversity aspects of the Board	<p>The Committee considered the proposed numerical target for female directors on the CLP Holdings Board of not less than 30%, and such target will be reviewed annually. In recommending this proposal, the Committee took into account the following:</p> <ul style="list-style-type: none"> ➤ the female Directors' representation on the Board over the recent years; ➤ the proposed target that would be regarded as meaningful by reference to international standards; and ➤ the proposed target being reasonably achievable yet having the flexibility for the best candidate to be considered regardless of gender. <p>The Committee also considered management's findings on the annual review of the existing diversity aspects of the Board for 2022. It was noted that the continuous Board refresh exercise enhanced various aspects of the Board's diversity in terms of gender, 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 128 and 129.</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 election and re-election at the 2023 AGM, with assessment on the tenure (especially for Independent Non-executive Directors who have served for more than nine years), 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 the Board Diversity Policy including the gender diversity target on an annual basis;
- > making recommendations to the Board on Directors appointment and re-appointment and succession planning;
- > assessing the implementation and effectiveness of the independence mechanism, 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.36 and 37 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

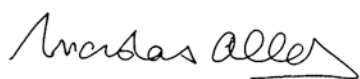
The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference. The objectives of the Committee are to recommend to the Board on the structure, size and composition of the Board and on the nomination of Directors,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

Terms of Reference

The terms of reference of the Committee were recently amended in December 2022 to include the delegated authorities to review the implementation and effectiveness of the independence mechanism and the Board Diversity Policy and gender diversity targets annually. The latest [terms of reference](#) of the Committee are set out on the CLP's and the Hong Kong Stock Exchange's websites. 

Looking Ahead

The Board is committed to a gradual refresh of the Board composition, the Committee will continue to play a leading role in planning for the succession of the Board and Board Committees. The Committee recognises that Board position openings are valuable opportunities, and the Committee will ensure that the most appropriate candidate(s) will be nominated for appointment having regard to the strategic objectives and priorities of the Board as well as the diversity aspects of the Board.



Nicholas C. Allen

Chairman, Nomination Committee

Hong Kong, 27 February 2023

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 2022 and for 2023 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 287, 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 2022";
- "Change of Remuneration – Executive Directors and Senior Management in 2022";
- "Executive Directors – Remuneration in 2022";
- "Total Directors' Remuneration in 2022";
- "Senior Management – Remuneration in 2022"; and
- "The Five Highest Paid Individuals in 2022".

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 Zia Mody
(Independent
Non-executive Director)

Mrs Fanny Law
(Independent
Non-executive Director)

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

Mr William Mocatta
(Non-executive
Vice Chairman)
(retired from CLP on
31 December 2022)

There is no Executive Director on the HR&RC and the HR&RC comprises Independent Non-executive Directors only after 31 December 2022.

[Biographies](#) of the Members are set out in Board of Directors on page 100 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;
- > Chief Strategy, Sustainability and Governance Officer – Mr David Simmonds; and
- > Joint Company Secretary – Mr Michael Ling.

Meetings and Attendance

During the Period, the HR&RC held four meetings in 2022 and one meeting in 2023.

Highlights of the Committee's Work

Developing Organisation Capability to align with Business Strategy

A key focus of the Committee's work was on the implementation of the new operating model to support the Utility of the Future Vision.

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

	2022				2023
	Feb	Jul	Oct	Nov	Feb
Performance and Remuneration Policy and Review	●	●	●	●	●
Succession Planning and Talent 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 Policy and Review

Remuneration review	<p>The Committee scrutinised and approved:</p> <ul style="list-style-type: none"> > Group performance for 2021 and 2022 and Group targets for 2022 and 2023; > 2021 and 2022 organisation performance for CLP Power, Mainland China and Apraava Energy, and targets for 2022 and 2023; > Base pay for 2022 and 2023 for Hong Kong payroll staff and Mainland China; and for Apraava Energy, base pay for 2022 only; > CEO's remuneration; and > Remuneration of direct reports to the CEO, including annual incentive payments for 2021 and 2022 and pay review for 2022 and 2023.
Performance management and remuneration policy	<p>The Committee reviewed and endorsed management's overall approach to align CLP's performance and remuneration policy for staff in Hong Kong and Mainland China with the delivery of the strategy. A refresh of the approach was agreed with a focus on rewarding collaboration, stronger alignment in goal setting to strategic priorities and desired future behaviours, greater differentiation, and improvement in line manager capability to provide more development-focused feedback.</p>

Areas of Focus

Succession Planning and Talent 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 necessary talent and capability to support the corporate strategy.
Gender diversity and inclusion progress review	The Committee discussed the progress regarding gender diversity and inclusion. The Committee took note that management was continuing to make solid progress on workplace diversity, and this included the establishment of a Diversity & Inclusion Council.

People Strategy and Organisation Development

People strategy and organisation development	The Committee reviewed management's long-term plans and initiatives to enable the delivery of corporate strategy including a fit-for-purpose operating model and high-performance culture.
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Staff Policies and Benefits

Human resources policies	The Committee reviewed Human Resources Policies, and the key areas that have been strengthened, such as: health and wellbeing, family-friendly and flexible working, talent attraction and retention, and sustainability and governance.
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Governance

Training and professional development of Senior Management	The Committee considered the activities undertaken in 2021 and 2022 and the planned activities for 2022 and 2023 in respect of the training and continuous professional development of Senior Management.
Executive remuneration governance and disclosure	<p>The Committee reviewed and approved the 2021 and 2022 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.</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 (NED) – Principles of Remuneration

How should NED be remunerated

- > Recognise that they are not employees
- > Sufficiently competitive to attract and retain high-calibre candidates
- > Should not be excessive

References include:

- > The Financial Reporting Council's "The UK Corporate Governance Code" last published in July 2018
- > The Corporate Governance Code and associated Listing Rules

Fees Review

- > No less than every three years
- > Latest independent review undertaken in 2022 (2022 Review)

Highlights of the 2022 Review:

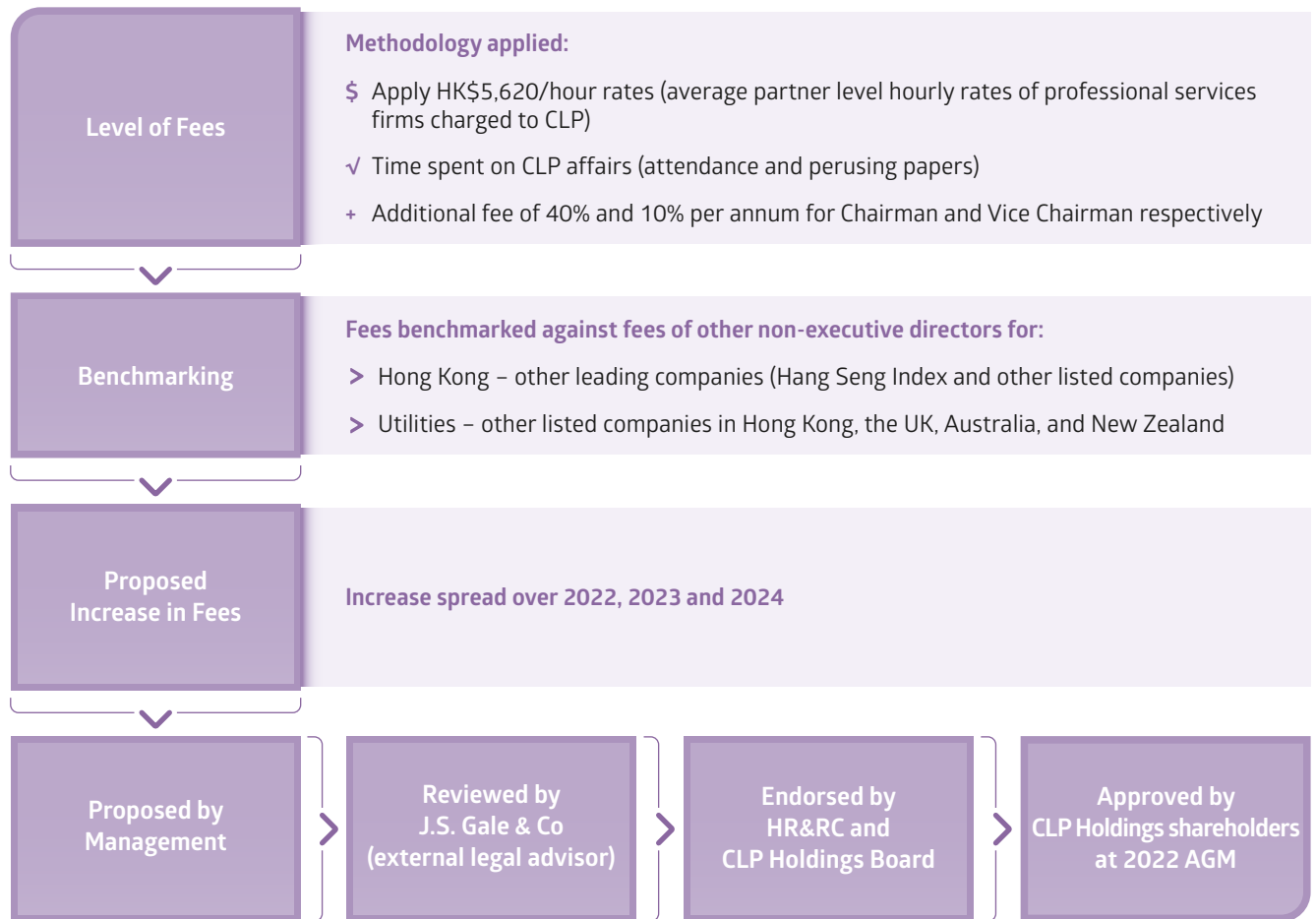
Methodology same as that used in the previous reviews, save for:

- > maintaining the fees for the Finance & General Committee unchanged although the indicative fees under the methodology showed slight reduction in fees; and
- > a nominal fee be maintained for the Provident & Retirement Fund Committee.

Approach

- > Over and above what is required by laws or regulations in Hong Kong or the provisions of the Corporate Governance Code

The 2022 Review and methodology applied are summarised as follows:



Fees for Non-executive Directors

	Fees per annum (before 7 May 2022) HK\$	Fees per annum (w.e.f. 7 May 2022) HK\$	Fees per annum (w.e.f. 7 May 2023) HK\$	Fees per annum (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
HR&RC				
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 2022 (Audited)

The fees paid to each of our Non-executive Directors in 2022 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 Director and management serving on the Board and Board Committees are not entitled to any Directors' fees.

There was a slight increase in total Directors' fees compared to 2021, primarily due to an increase in the level of Non-executive Directors' fees which took effect from 7 May 2022 and the appointment of an additional Independent Non-executive Director in October 2022.

In HK\$	Board	Audit & Risk Committee	Finance & General Committee	HR&RC	Sustainability Committee	Nomination Committee	Provident & Retirement Fund Committee	Total 2022	Total 2021
Non-executive Directors									
The Hon Sir Michael Kadoorie	888,027 ^(C)	-	-	-	-	29,158	-	917,185	898,691
Mr William Mocatta ¹	697,762 ^(VC)	-	449,900 ^(C)	100,782	-	-	14,000 ^(C)	1,262,444	1,244,699
Mr J.A.H. Leigh	634,296	-	-	-	-	-	-	634,296	623,571
Mr Andrew Brandler	634,296	-	319,400	-	103,537	-	-	1,057,233	1,042,006
Mr Philip Kadoorie	634,296	-	-	-	103,537	-	-	737,833	722,606
Independent Non-executive Directors									
Sir Rod Eddington	634,296	-	319,400	-	-	-	-	953,696	942,971
Mr Nicholas C. Allen	634,296	682,987 ^(C)	319,400	141,748 ^(C)	103,537	40,789 ^(C)	-	1,922,757	1,859,449
Mrs Fanny Law	634,296	488,644	-	100,782	103,537	-	-	1,327,259	1,281,005
Mrs Zia Mody	634,296	-	-	100,782	-	-	-	735,078	718,469
Ms May Siew Boi Tan	634,296	488,644	319,400	100,782	103,537	29,158	-	1,675,817	1,626,136
Ms Christina Gaw	634,296	-	319,400	-	103,537	-	-	1,057,233	1,042,006
Mr Chunyuan Gu	634,296	488,644	319,400	-	-	-	-	1,442,340	1,406,472
Mr Bernard Chan ²	130,356	-	-	-	21,452	-	-	151,808	-
Total								13,874,979	13,408,081

Notes:

- 1 Mr William Mocatta received HK\$300,000 as fee for his service on the board of CLP Power for each of 2021 and 2022. Mr Mocatta retired from the Board of CLP Holdings and the Board Committees that he served on 31 December 2022.
- 2 Mr Bernard Chan was appointed as an Independent Non-executive Director and a Member of the Sustainability Committee with effect from 18 October 2022. The fees paid to Mr Chan in respect of his service were made on a pro rata basis from 18 October 2022.

● Change of Remuneration – Executive Directors and Senior Management in 2022 (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 2022 are set out in the tables on page 183 (Executive Directors) and pages 190 to 192 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2022 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 183 and pages 190 and 191 the “Total Remuneration” column for 2022 includes the following recurring items:

- (i) base compensation, allowances & benefits paid;
- (ii) 2022 annual incentive accrued based on previous year’s Company performance and the 2021 annual incentive adjustment. The adjustment is the difference between the actual annual incentive paid in 2022 for 2021 performance and the annual incentive accrual for 2021;
- (iii) the 2019 long-term incentive award paid in January 2022 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2018 paid in 2021). Approximately 2% of the decrease in the value of the phantom shares portion of 2019 long-term incentive payments resulted from the change in CLP Holdings’ share price between 2019 and 2021, with dividends reinvested; and
- (iv) provident fund contribution made.

The “Other Payments” column includes the 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 2022 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 2022, the Committee considered that while the majority of CLP’s business was solid and consistent with 2021, and progress was made on decarbonisation and strategy execution, nevertheless, performance in Australia was significantly below expectations and a large number of customers were affected by the cable bridge fire in Hong Kong. Having considered this, the Committee decided to award a reduced performance outcome for 2022, recognising that aspects of Group performance did not meet expectations and that overall responsibility for this rests with the CEO and Group Executives.

● Executive Directors – Remuneration in 2022 (Audited)

The remuneration paid to the Executive Director of the Company in 2022 was as follows:

	Recurring Remuneration Items				Non-recurring Remuneration Items		
	Performance Bonus ²						
	Base Compensation, Allowances & Benefits ¹ HK\$M	Annual Incentive HK\$M	Long-term Incentive HK\$M	Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
2022							
CEO (Mr Richard Lancaster)	10.7	8.7	5.7	2.7	27.8	–	27.8
	10.7	8.7	5.7	2.7	27.8	–	27.8

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 (2022 accrual and 2021 adjustment) and (b) long-term incentive (payment for 2019 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 2022 performance will be made in March 2023. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2022. [Details](#) of these will be published on the CLP website at the time that the 2022 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 2022 (Audited)

The total remuneration of Non-executive and Executive Directors in 2022 was:

	2022 HK\$M	2021 HK\$M
Fees	13.9	13.4
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	10.7	15.0
Performance Bonus ²		
– Annual Incentive	8.7	13.3
– Long-term Incentive	5.7	9.5
Provident Fund Contribution	2.7	3.4
Non-recurring Remuneration Items		
Other Payments	–	13.2
	41.7	67.8

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 183 for Executive Directors.
- 2 Refer to Note 2 on Performance Bonus on page 183 for Executive Directors.

Of the total remuneration paid to Directors, HK\$7.1 million (2021: HK\$10.2 million) has been charged to the SoC operation.

Linking Senior Management Pay with CLP's Purpose and Strategy

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

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

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

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 185 to 189. The pay structure of Managing Director – EnergyAustralia is aligned with Australian market practice and is addressed on pages 188 and 189.

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 2022.	Annual cash payment. Accounted for 34% of potential total remuneration in 2022.	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 2022.	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 2022.
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 <ul style="list-style-type: none"> ➤ Financial and Operational performance HOW it was achieved <ul style="list-style-type: none"> ➤ 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>
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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	<p>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.</p> <p>Employer contributions to the retirement fund range from 10-17.5% of Base Salary plus target annual incentive.</p>
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 2022.
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 Mr Collette's annual incentive in 2022 is approved by the Board of EnergyAustralia. 50% of the short-term Incentive (STI) award is paid in cash annually, with 50% deferred for one year.</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 2022. 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 2022. 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 2022 (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 2022”).

	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				
2022							
Current:							
Chief Financial Officer (Mr Nicolas Tissot)	6.7	5.9	–	1.2	13.8	–	13.8
Chief Operating Officer (Mr Derek Parkin) ³	1.9	1.6	–	0.4	3.9	–	3.9
Group Director & Vice Chairman – CLP Power (Mrs Betty Yuen) ⁴	5.1	4.1	2.6	1.3	13.1	6.7	19.8
Managing Director – CLP Power (Mr T.K. Chiang)	6.1	4.8	3.1	1.5	15.5	–	15.5
Managing Director – China (Mr Joseph Law) ⁵	2.7	2.2	–	0.7	5.6	–	5.6
Managing Director – EnergyAustralia (Mr Mark Collette) ⁶	6.9	0.5	2.1	0.1	9.6	–	9.6
Managing Director – India (Mr Rajiv Mishra) ⁷	4.1	3.5	2.1	1.0	10.7	–	10.7
Chief Strategy, Sustainability & Governance Officer (Mr David Simmonds)	5.9	4.6	3.0	1.5	15.0	–	15.0
Chief Corporate Development Officer (Ms Quince Chong)	5.8	4.6	3.0	1.4	14.8	–	14.8
Chief Human Resources Officer (Ms Eileen Burnett-Kant)	5.1	4.1	0.5	0.9	10.6	–	10.6
Former:							
Managing Director – China (Mr Chan Siu Hung) ⁸	1.2	0.9	2.5	0.3	4.9	8.5	13.4
Total	51.5	36.8	18.9	10.3	117.5	15.2	132.7

The notes are set out on page 192.

Of the total remuneration paid to Senior Management, HK\$52.1 million (2021: HK\$47.5 million) has been charged to the SoC operation.

● Senior Management – Remuneration in 2022 (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				
2021							
Current:							
Chief Financial Officer ⁹	4.8	4.1	–	0.9	9.8	–	9.8
Group Director & Vice Chairman – CLP Power ⁴	4.9	4.4	2.6	1.2	13.1	–	13.1
Managing Director – CLP Power	5.8	5.3	3.0	1.5	15.6	–	15.6
Managing Director – China ⁸	4.8	4.3	2.5	1.2	12.8	–	12.8
Managing Director – EnergyAustralia ⁶	3.6	3.7	–	0.1	7.4	–	7.4
Managing Director – India ⁷	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	5.6	5.1	2.9	1.2	14.8	–	14.8
Chief Human Resources Officer ¹⁰	4.9	4.4	–	0.8	10.1	0.2	10.3
Former:							
Chief Operating Officer (Mr David Smales) ¹¹	5.3	4.8	–	1.0	11.1	9.8	20.9
Managing Director – EnergyAustralia (Ms Catherine Tanna) ¹²	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

The notes are set out on page 192.

● Senior Management – Remuneration in 2022 (Audited) (continued)

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 183.
- 2 Refer to Note 2 on Performance Bonus on page 183. 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 Derek Parkin was appointed as Chief Operating Officer and has become a member of Senior Management with effect from 1 September 2022. His remuneration covered the period from 1 September 2022 to 31 December 2022.
- 4 Mrs Betty Yuen retired as Group Director & Vice Chairman – CLP Power on 31 December 2022. The Other Payments of HK\$6.7 million included accelerated payment of long-term incentive for 2020, 2021 and 2022. Her annual incentive for 2022 will be paid in March 2023 based on the 2022 performance outcome approved by the HR&RC in February 2023 in line with the standard payout timeline.
- 5 Mr Joseph Law was appointed as Managing Director – China and has become a member of Senior Management with effect from 1 April 2022. His remuneration covered the period from 1 April 2022 to 31 December 2022.
- 6 Mr Mark Collette was appointed as Managing Director – EnergyAustralia with effect from 1 July 2021. For year 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.
- 7 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.
- 8 Mr Chan Siu Hung retired as Managing Director – China on 31 March 2022. The annual incentive for 2022 was made on a pro rata basis for his service up to 31 March 2022. The Other Payments of HK\$8.5 million included (a) accelerated payment of long-term incentive for 2020, 2021 and 2022 (HK\$8.4 million) and (b) encashment of untaken annual leave (HK\$0.1 million).
- 9 Mr Nicolas Tissot 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.
- 10 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.
- 11 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).
- 12 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 2022 (Audited)

The five highest paid individuals in the Group included one Director (2021: two Directors) and four members of Senior Management (2021: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2022 HK\$M	2021 HK\$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	33.6	34.1
Performance Bonus ²		
– Annual Incentive	26.8	32.9
– Long-term Incentive	17.4	21.8
Provident Fund Contribution	8.4	6.0
Non-recurring Remuneration Items		
Other Payments	6.7	24.2
	92.9	119.0

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 183.

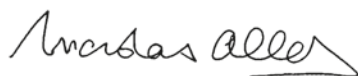
2 Refer to Note 2 on Performance Bonus on page 183.

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

	Number of Individuals	
	2022	2021
HK\$14,500,001 – HK\$15,000,000	2	–
HK\$15,000,001 – HK\$15,500,000	1	–
HK\$15,500,001 – HK\$16,000,000	–	1
HK\$19,500,001 – HK\$20,000,000	1	–
HK\$20,500,001 – HK\$21,000,000	–	1
HK\$26,000,001 – HK\$26,500,000	–	1
HK\$27,500,001 – HK\$28,000,000	1	1
HK\$28,000,001 – HK\$28,500,000	–	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, 27 February 2023

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2022.

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 34 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 (2021: HK\$1.89) per share totalling HK\$4,775 million (2021: HK\$4,775 million) during the year.

On 27 February 2023, the Directors declared the fourth interim dividend of HK\$1.21 (2021: HK\$1.21) per share totalling HK\$3,057 million (2021: HK\$3,057 million).

This fourth interim dividend will be paid on 23 March 2023.

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)> Stakeholders (page 66)
2 Description of the principal risks and uncertainties facing the Group	<ul style="list-style-type: none">> Risk Management Report (page 143)> Financial Risk Management (page 291)
3 Particulars of important events affecting the Group that have occurred since the end of the 2022 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)> Stakeholders (page 66)
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)> Stakeholders (page 66)
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)> Stakeholders (page 66)> Governance (page 98)> Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 310)

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 plays a primary role in overseeing the management of the Group's sustainability issues with a strong focus on the impact of longer-term sustainability issues on the Group's business strategy; climate change developments and our own climate action being high on the Committee's priorities. The Sustainability Committee, as a Board Committee, is supported by the Sustainability Executive Committee and coordinated through the Group Sustainability Department. The Audit & Risk Committee retains oversight of material ESG risks and assurance of the ESG data. For further details on the governance structure, please refer to page 116 of the Corporate Governance Report on "CLP's Approach to ESG Reporting".

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. In 2022, whilst the global community was still navigating through the COVID-19 challenges, the world was faced with an energy crisis fueled by the war in Ukraine. This had a profound impact on fuel sourcing and prices and our business and our ESG stakeholders were not immune to this, especially our customers. These events demonstrate that ESG issues are not static, can have impacts both in the short term and over the long run and they underscore the importance of regular reviews of strategic priorities.


In 2022, CLP continues to adopt the double materiality concept and further enhanced the assessment methodology for identifying and assessing material impact and financially material ESG issues, risks and opportunities. 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, to have a more comprehensive response to stakeholders' needs, and to ensure full transparency in our reporting. The materiality results were categorised as:

- Financially material topics, which potentially create or erode enterprise value, are covered in this Annual Report and are for reporting purposes under the 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, including customers, people, partners and community, who are interested in CLP's positive and negative contributions to sustainable development. 

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

The assessment process was enhanced with feedback from an external expert group including global standards setters, investors, and well-recognised governance and sustainability organisations. The ESG impacts, risks and opportunities were identified and assessed via megatrends analysis, stakeholder interviews, CLP's top tier risk list, and analysis results from an AI-driven ESG materiality assessment tool. The materiality results were then presented to the Sustainability Committee for their analysis and endorsement. For further details on how other ESG material topics are addressed by the Sustainability Committee, please see the Sustainability Committee Report on page 164.

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 2022, CLP took further steps to ensure that we remain on track to meet our Climate Vision 2050 targets as outlined extensively in this Annual Report, the [Sustainability Report](#) and the [Climate-related Disclosures Report](#). The divestment of our entire interest in the Fangchenggang coal-fired plant being a key one. 

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 acts 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\$22,052 million as at 31 December 2022 (2021: HK\$23,671 million).

Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2022 amounted to HK\$59,217 million (2021: HK\$58,215 million). Particulars of borrowings are set out in Note 23 to the Financial Statements and on pages 69 to 76 of the Capital Providers.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 0.9% of the Group's total assets as at 31 December 2022.


Equity-linked Agreements

For the year ended 31 December 2022, the Company did not enter into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK\$10,017,000 (2021: HK\$15,085,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2022 and for the previous four financial years are on page 308. A [ten-year summary](#) is on the CLP website. 

Senior Management

The biographical details of the Senior Management as at the date of this Report are set out on pages 108 and 109. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 175.

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 54.81% 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 24.87% 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 9.12% 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.
- 3 8.83% 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, 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.
- 4 7.87% from CNOOC China Limited (CNOOC) in which the Group has no interest. CAPCO purchases natural gas from CNOOC for its electricity generation.
- 5 4.12% 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 New South Wales.

As at 31 December 2022, 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 together with their biographical details are set out on pages 100 to 107 of this Annual Report. With the exception of Mr Bernard Chan who was appointed in October 2022, the Directors held their office for the whole year ended 31 December 2022. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 175.

Mr William Mocatta who has been a Non-executive Director of the Company since 1993, retired as a Non-executive Director and Vice Chairman on 31 December 2022. Mr Mocatta 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.

Mr Bernard Chan was appointed as an Independent Non-executive Director of the Company with effect from 18 October 2022 while Mrs Betty Yuen was appointed as a Non-executive Director of the Company with effect from 1 January 2023.

Under the Company's Articles of Association, Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 125 of the Company's Articles of Association, Mr Bernard Chan and Mrs Betty Yuen, appointed in October 2022 and January 2023 respectively, will retire at the 2023 AGM. In accordance with Article 119 of the Company's Articles of Association, The Hon Sir Michael Kadoorie, Mr Andrew Brandler, Mr J.A.H. Leigh, Mr Nicholas C. Allen and Mrs Fanny Law will retire by rotation at the 2023 AGM.

Mrs Fanny Law has informed the Company that she will not stand for re-election as a Director at the 2023 AGM to make way for future appointments of new independent directors who would bring fresh ideas to the Board. Accordingly, at the conclusion of the 2023 AGM, she will retire from the CLP Holdings Board and the Board Committees on which she serves. Mrs Law has confirmed that she has no disagreement with the Board and that she was not aware of any matter in relation to her retirement that needs to be brought to the attention of the shareholders of the Company.

All the other retiring Directors, being eligible, offer themselves for election or re-election. None of the Directors offering themselves for election or re-election at the 2023 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 2022, 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

Mr Andrew Brandler was alternate to Mr William Mocatta during the year ended 31 December 2022. He ceased to be alternate to Mr Mocatta upon Mr Mocatta's retirement from the Board on 31 December 2022.

Directors of Subsidiaries

The [names of all directors who have served on the boards of the subsidiaries of the Company](#) during the reported period (full-year 2022 and for 2023 up to the date of this Report) (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), a subsidiary of China Southern Power Grid Co., Ltd. (CSG, and with its subsidiaries, collectively, the CSG Group), and effectively 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 2022, this was HK\$1,771 million. The annual aggregate cap was approved by the Board of Directors in December 2021 and subsequently disclosed in the announcement dated 3 January 2022. The project level caps of the CCTs for 2022 set out in the table on pages 198 to 211 are for reference only and were used to derive the annual aggregate cap of HK\$1,771 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 2022, unless otherwise stated, represented the actual transaction values of the relevant CCTs in the full twelve months of 2022.

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 2022 HK\$M
1 CLP Power 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 remained unchanged. On 23 December 2021, a 3rd supplemental agreement was entered into to further extend the term to 31 December 2022. On 24 October 2022, a 4th supplemental agreement was entered into under which the expiry date remained unchanged. On 12 December 2022, an extension agreement was entered into to further extend the term to 31 December 2023.</p>	CLP Power	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (CSG-GPG)	Economic interchange of electricity from, on the one side, CLP Power to CSG-GPG and, on the other, from CSG-GPG to CLP Power, 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 I of the power station (600MW)) for the generation of electricity equivalent to the volume supplied by CLP Power.</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 capacity (MW) and hours requested to standby multiplied by an arm's length tariff (standby charges) agreed between the parties. The unit rate of energy transfer and standby charges are determined after taking into account the available market information and the relevant cost.</p>	– (Note 1)
Aggregated total consideration for CLP Power electricity sales to Mainland China (Project level cap for 2022 was HK\$660.00 million)						–
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 2023.</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.	5.69
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 2023.</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 2023.</p>	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	2.68

	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 2022 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 2023.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 2.1 above	1.61
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 2023.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	7.32
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 2023.	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHW)	CSG-ZPB	CLP-GHW sells electricity to CSG-ZPB.	As in item 2.1 above	26.33
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 2023.	Guangdong Huaiji Changxin Hydro-electric Power Company Limited (CLP-GHC) Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (CLP-GHG) CLP-GHW CLP-GHX All of the above companies are subsidiaries of the Company.	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 2.1 above	130.46
2.8	Supplemental Agreement to Baishuihe Four Hydro Stations PPA Agreement entered into on 9 December 2020 for a two-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 8 December 2023.	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	-
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 2023.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	21.30

	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 2022 HK\$M
2.10	<p>Zelian Hydro Station High Voltage Electricity Supply Contract</p> <p>Agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 22 December 2023.</p>	CLP-GHX	CSG-ZHPB	CSG-ZHPB supplies electricity to CLP-GHX as an industrial user for the station's consumption.	<p>According to the National Development and Reform Commission (NDRC) Document [2021] No. 809, power users will purchase electricity through market sales directly or through grid companies, which will act as agents to purchase electricity on behalf of industrial and commercial users that cannot purchase directly from the market.</p> <p>The tariff is based on 1-1.5 times weighted average price of the monthly centralised bidding transactions plus fees such as agency fees as well as transmission and distribution fees.</p>	0.01
2.11	<p>Longzhongtan Hydro Station High Voltage Electricity Supply Contract</p> <p>Agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 22 December 2023.</p>	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	0.01
2.12	<p>Jiaoping Hydro Station High Voltage Electricity Supply Contract</p> <p>Agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 22 December 2023.</p>	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	0.25
2.13	<p>Xiazhu Hydro Station High Voltage Electricity Supply Contract</p> <p>Agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 22 December 2023.</p>	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	0.04
2.14	<p>Shuixia Hydro Station High Voltage Electricity Supply Contract</p> <p>Agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 22 December 2023.</p>	CLP-GHW	CSG-ZHPB	CSG-ZHPB supplies electricity to CLP-GHW as an industrial user for the station's consumption.	As in item 2.10 above	0.39
2.15	<p>Baishuihe Four Hydro Stations High Voltage Electricity Supply Contract</p> <p>Agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 22 December 2023.</p>	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 as an industrial user for the station's consumption.	As in item 2.10 above	0.13
Aggregated total consideration for Huaiji hydro project <i>(Project level cap for 2022 was HK\$299.00 million)</i>						196.22

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 2022 HK\$M
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 2023.	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.	50.29
3.2	Meizhou Solar Project High Voltage Electricity Supply Contract (110kV, DongLi Line) 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 2023.	CLP Meizhou	Meizhou Pingyuan Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPPB)	CSG-MPPB supplies electricity to CLP Meizhou as an industrial user for power consumption at the project site.	As in item 2.10 above	0.06
3.3	Meizhou Solar Project High Voltage Electricity Supply Contract (10kV, DongShi Line) (Note 2) Agreement entered into on 9 June 2017 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 8 June 2023.	CLP Meizhou	CSG-MPPB	As in item 3.2 above	As in item 2.10 above	0.30
Aggregated total consideration for Meizhou solar project (Project level cap for 2022 was HK\$64.00 million)						50.65
4 Yang_er hydro project						
4.1	Yang_er Hydro Project High Voltage Electricity Supply Contract (10kV, for dam) New agreement entered into on 23 September 2022 for a three-year period to 22 September 2025 with automatic renewals for successive three-year periods.	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 as an industrial user for power consumption at project site.	According to Yunnan Provincial Development and Reform Commission (Yunnan PDRC) Document [2021] No. 1140, power users will purchase electricity through market sales directly or through grid companies, which will act as agents to purchase electricity on behalf of industrial and commercial users that cannot purchase directly from the market. The tariff is based on 1-1.5 times weighted average price of the monthly centralised bidding transactions plus fees such as agency fees as well as transmission and distribution fees.	0.01
4.2	Yang_er Hydro Project High Voltage Electricity Supply Contract (10kV, for plant) New agreement entered into on 23 September 2022 for a three-year period to 22 September 2025 with automatic renewals for successive three-year periods.	Dali Yang_er	CSG Yangbi	As in item 4.1 above	As in item 4.1 above	0.01
4.3	Yang_er Hydro Project High Voltage Electricity Supply Contract (110kV) New agreement entered into on 23 September 2022 for a three-year period to 22 September 2025 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 to Dali Yang_er as an industrial user for the station's consumption.	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 2022 HK\$M
4.4	Power Exchange Sales Transactions entered into via Kunming Power Exchange Center Limited (Kunming PEC) on various dates in 2022 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).	33.54
Aggregated total consideration for Yang_er hydro project (Project level cap for 2022 was HK\$41.00 million)						33.56
5	Xicun solar project (Phases I and II)					
5.1	Xicun Solar Project PPA New agreement entered into on 22 November 2022 for a one-year period from 10 October 2022 to 9 October 2023 with automatic renewals for successive one-year periods.	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.	According to Yunnan Energy Operations Document [2021] No. 286, renewable energy generators will in non-wet seasons (from January to May and from November to December) fully participate in market sales, and in wet seasons (between June and October), all generation will be sold under "Priority Sales" at a discounted tariff based upon the average monthly bidding tariffs for non-renewable energy projects (i.e. exclude solar and wind projects) announced by Kunming PEC. The total tariff includes the settled price and a subsidy.	46.50
5.2	Xicun Solar Project High Voltage Electricity Supply Contract (for project site) New agreement entered into on 25 September 2022 for a three-year period to 24 September 2025 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 as an industrial user for power consumption at the project site.	As in item 2.10 above	–
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 25 December 2019 for a three-year period with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 24 December 2025.	CLP Xicun	CSG-DPB	CSG-DPB supplies electricity to CLP Xicun as an industrial user for power consumption by the project site's equipment when the plant is not in generation mode.	As in item 2.10 above	0.38
5.4	Xicun Solar Project High Voltage Electricity Supply Contract (for pump station) New agreement entered into on 25 September 2022 for a three-year period to 24 September 2025 with automatic renewals for successive three-year periods.	CLP Xicun	CSG Binchuan	CSG Binchuan supplies electricity to CLP Xicun as an agricultural user for the watering facilities.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the NDRC and subject to adjustment in accordance with the 2022 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan PDRC and Yunnan Provincial Energy Administration and is updated from time to time.	0.02

	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 2022 HK\$M
5.5	Power Exchange Sales Transactions entered into via Kunming PEC on various dates in 2022 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	86.07
Aggregated total consideration for Xicun solar project (Phases I and II) (Project level cap for 2022 was HK\$167.00 million)						132.97
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 2023.	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	11.68
6.2	Xundian Wind Project High Voltage Electricity Supply Contract (Note 3) New agreement entered into on 24 November 2022 for a three-year period to 23 November 2025 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 the station's consumption.	As in item 2.10 above	0.14
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) Agreement entered into on 8 July 2019 for a three-year period with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 7 July 2025.	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 non-residential use by the plant's facilities.	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.	0.01
6.4	Power Exchange Sales Transactions entered into via Kunming PEC on various dates in 2022 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	52.98
Aggregated total consideration for Xundian wind project (Project level cap for 2022 was HK\$87.00 million)						64.81

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 2022 HK\$M
7	Sandu wind project					
7.1	Sandu Wind Project PPA Agreement entered into on 31 December 2021 for a two-year period from 1 January 2022 to 31 December 2023.	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 QianFaGaiJiaGe [2017] No. 1113 and is updated from time to time.	124.39
7.2	Sandu Wind Project High Voltage Electricity 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 2023.	CLP Sandu	Duyun Sandu Power Bureau of CSG Guizhou, a subsidiary of CSG (CSG-DSPB)	CSG-DSPB supplies electricity to CLP Sandu as an industrial user for power consumption at the project site.	As in item 2.10 above	0.47
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.	0.02
Aggregated total consideration for Sandu wind project (Project level cap for 2022 was HK\$193.00 million)						124.88
Total Consideration for 2022						603.09 <small>(Note 1)</small>

Notes:

- 1
- Besides the transaction value shown in the table, CLP Power also supplied electricity to CSG-GPG in 2022 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 without any cash settlement. For the purpose of disclosure for this particular arrangement, the notional 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\$35.7 million in 2022 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 2022.
- 2
- The agreement was signed on 9 June 2017 before CLP acquired the project company of Meizhou Solar Project on 11 January 2019, this pre-existing contract was grandfathered and until a supplemental agreement was signed on 9 May 2022 to reflect the change to tariff mechanism, it was then included for completeness and monitoring purposes.
- 3
- This was to replace the previous agreement signed on 1 September 2020 and received subsequent to the Company's announcement on 3 January 2023.

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 2022, 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 2022 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon Sir Michael Kadoorie	Note 1	410,526,125	16.24913
Mr J.A.H. Leigh	Note 2	218,821,853	8.66124
Mr Andrew Brandler	Note 3	10,600	0.00042
Mr Philip Kadoorie	Note 4	409,226,125	16.19767
Mr Nicholas C. Allen	Note 5	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 Bernard Chan	Note 6	819,000	0.03242
Mr Richard Lancaster (CEO)	Personal	600	0.00002

Notes:

- 1 The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 410,526,125 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 Kadoorie is one of the beneficiaries and the founder.
 - b 170,181,913 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael 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 Kadoorie is the founder.
 - d 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
- 2 Mr J.A.H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 218,821,853 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.

- 3 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.
- 4 Mr Philip Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 409,226,125 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 170,181,913 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - c 2,000,000 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 each of two discretionary trusts, both of which Mr Philip Kadoorie is one of the default beneficiaries.
- 5 41,000 shares were held in a beneficial owner capacity and jointly with spouse.
- 6 Mr Bernard Chan was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 819,000 shares in the Company. These shares were held in the following capacity:
 - a 810,000 shares were held by two wholly-owned subsidiaries of Asia Financial Holdings Limited (AFH). Mr Bernard Chan is deemed to be interested in approximately 61.87% of AFH.
 - b 9,000 shares were held by United Asia Enterprises Inc, an investment company in which Mr Bernard Chan holds 34% of the shares.

Each of the other Directors, namely Mr William Mocatta, 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 2022.

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 2022.

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 2022.

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

Interests of Substantial Shareholders

The interests / short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2022, 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 2022:

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 3	8.65
Harneys Trustees Limited	Trustee / Interests of controlled corporations	629,177,978 Note 3	24.90
Lawrencium Holdings Limited	Beneficiary	170,181,913 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	410,526,125 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 Kadoorie	Note 5	410,526,125 Note 5	16.25
Mr J.A.H. Leigh	Notes 3 & 6	218,821,853 Notes 3 & 6	8.66
Mr Philip Kadoorie	Note 7	409,226,125 Note 7	16.20

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 Kadoorie is one of the beneficiaries and / or a founder as disclosed in "Interests of Directors and Chief Executive Officer".

- 3 Harneys Trustees Limited was deemed to be interested in the shares in which The Mikado Private Trust Company Limited and Guardian Limited were deemed to be interested, either by virtue of having direct or indirect control over such companies and / or in the capacity as one of the trustees of a discretionary trust.

The shares in which Guardian Limited was deemed to be interested was duplicated within the interests attributed to Mr J.A.H. Leigh in his capacity as one of the trustees of a discretionary trust as disclosed in "Interests of Directors and Chief Executive Officer".

- 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 2 under "Interests of Directors and Chief Executive Officer".
- 7 See Note 4 under "Interests of Directors and Chief Executive Officer".

As at 31 December 2022, 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 2022, 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 2022, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

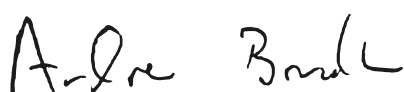
Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on page 110 of this Annual Report.

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



Andrew Brandler

Vice Chairman

Hong Kong, 27 February 2023