

CLP Climate Action Finance Framework

1. Introduction

CLP Holdings Limited (CLP) is one of the largest investor-owned power businesses in Asia Pacific. In Hong Kong, through CLP Power Hong Kong, it operates a vertically-integrated electricity supply business providing a highly-reliable supply of electricity. Outside Hong Kong, CLP holds investments in the energy sector in Mainland China, India, Southeast Asia and Taiwan, and Australia. Its diversified portfolio of power generation assets include coal, gas, nuclear and renewables (wind, hydro, solar).

CLP's vision is to be the leading responsible energy provider in the Asia-Pacific region, not just for this generation, but from one generation to the next. To achieve this, we strive to produce and supply energy with minimal environmental impact to create value for shareholders, employees and the wider community. We run our business with an important purpose – to power the sustainable development of communities and society.

Electricity is at the very heart of climate change. However, the communities we serve are in urgent need of power to fuel their economic growth and social development. Fossil fuels are among the most carbon intensive form of power generation, and yet they are readily available and currently the most affordable choice for many developing nations. Fossil fuels sometimes are also necessary for a smooth transition to a low carbon economy, for example, the proposal of building a new Combined Cycle Gas Turbine (CCGT) at Black Point Power Station to support the Hong Kong Government's policy of increasing the share of gas in the Hong Kong fuel mix for power generation. Whilst renewable energy is an attractive option, in some markets there are circumstances where the supporting infrastructure must grow incrementally before renewables can offer a significant and more commercially viable solution. Therefore, our climate strategy, as manifested in our Climate Vision 2050, targets to reduce the carbon intensity of the Group's investment portfolio and increase the renewable portion of our investments progressively.

This Climate Action Finance Framework (CAFF) sets out how CLP proposes to raise climate action bonds (CLP Climate Action Bonds) and to use the proceeds of those bonds to invest in projects that are consistent with this strategy to respond to the climate change challenges. This strategy should be consistent with the Group's investment strategy from time to time.

2. CLP Climate Action Bonds Issuance

CLP Group Business Units (majority owned by CLP) may issue CLP Climate Action Bonds under the CAFF. There are two types of CLP Climate Action Bonds – **Energy Transition** or **Emissions Reduction Bonds** and **New Energy Bonds** (see Section 3 below).

3. Use of Proceeds

A. Energy Transition or Emissions Reduction Bonds

The proceeds from the issuance of Energy Transition or Emissions Reduction Bonds will be applied to finance or refinance, in whole or in part, investment in the building of natural gas fired power plants where the opportunities to develop renewable energy is limited, the conversion of coal fired power plants, and the facilities or modifications associated with such building or conversion, which will result in carbon emission no more than 450gCO₂/kWh¹ at baseload.

B. New Energy Bonds

The proceeds from the issuance of New Energy Bonds will be applied to finance or refinance, in whole or in part, investment in:

- (i) generation of energy from renewable sources including wind, solar, waste-to-energy, tidal, hydro² and biomass energy and associated assets (including dedicated transmission infrastructure);
- (ii) improvements in energy efficiency including smart grid and smart metering systems;
- (iii) low carbon transport infrastructure including dedicated electric vehicle charging infrastructure.

Use of proceeds could cover, but not limited to, pre-operating costs, interest or coupon paid during construction, finance transaction costs and other direct or indirect costs related to the investment projects.

At the time of the bond issuance, CLP Business Unit issuing CLP Climate Action Bond will provide details of use of proceeds where this is known and information is available at the time of issuance.

Investments may benefit the environment in important ways but also degrade it in others. CLP will assess the net sustainability benefits and consider the balance of impacts in determining overall net benefit.

4. Implementation of the CLP Climate Action Finance Framework

CLP Group Business Units will make their own determination as to whether they wish to issue a CLP Climate Action Bond under the CAFF and/or continue to issue regular bonds as usual. The CLP Group Climate Action Finance Committee (CAFC), made up of senior management including representatives from each of finance, sustainability and legal departments will review and approve all issuance under the CAFF. CLP Group Business Units will propose to the CAFC eligible projects that can fulfil the criteria as set in Section 3 in this CAFF for the deployment of proceeds from bond issuance.

¹ Based on UK Energy Act 2013 (Part 2, Chapter 8, Section 57 (2))

² Including run of river and small hydro with generation capacity smaller than 15 megawatts, existing large hydro with generation capacity larger than 20 megawatts in temperate zones and re-powering of existing large hydro system

A CLP Group Business Unit chooses to issue a CLP Climate Action Bond must fully comply with the CAFF over the full tenor of the respective CLP Climate Action Bond.

5. Management and Tracking of the Proceeds of Issuance

The proceeds of each CLP Climate Action Bond will be credited to dedicated bank accounts/deposits which are normally used for liquidity management purposes of the corresponding CLP Group Business Unit pending allocation to eligible projects in accordance with section 4 above. Each corresponding CLP Group Business Unit will maintain a register to properly keep track of the use of proceeds for each CLP Climate Action Bond issuance. The register will record the amount and nature of each allocation made and the remaining balance of unallocated proceeds.

6. Reporting on Use of Proceeds

CLP Group will prepare a Climate Action Finance Report on an annual basis. For each CLP Climate Action Bond, the followings will be disclosed:

- Identity of CLP Group Business Unit issuing a CLP Climate Action Bond under the CAFF;
- Type of CLP Climate Action Bond issued (Energy Transition or Emissions Reduction Bond or New Energy Bond);
- Aggregate amounts of proceeds allocated;
- Estimation of beneficial impact of the use of proceeds;
- The remaining balance of unallocated proceeds at the reporting period end.

A CLP Climate Action Bond is added to and removed from the Climate Action Finance Report as below:

- A CLP Climate Action Bond is added to the Climate Action Finance Report when the CLP Climate Action Bond was issued during the reporting period;
- A CLP Climate Action Bond is removed from the Climate Action Finance Report when the CLP Climate Action Bond has been fully repaid.

The Climate Action Finance Report will provide further information on projects with allocations from proceeds of CLP Climate Action Bonds.

The Climate Action Finance Report will be reviewed by the CAFC. The Climate Action Finance Report will be published within the Group Sustainability Report.

7. Assurance

CLP Group will engage an appropriate external assurance provider to independently assure the contents of the Climate Action Finance Report as appropriate.