
Risk Management Report

Effective risk management that takes into account the need to balance risk and opportunity is critical to the long-term growth and sustainability of our business.

CLP's Risk Management Framework

Risk is inherent in CLP's business and the markets in which we operate. We aim to identify risks early so they can be understood, managed, mitigated, transferred, or avoided. This demands a proactive approach to risk management and an effective Group-wide risk management framework. Our risk management framework comprises four key elements which will be discussed in more detail later:

1. Risk management philosophy
2. Risk appetite
3. Risk governance structure
4. Risk management process

CLP's Risk Management Philosophy

CLP's overall risk management process is overseen by the Board through the Audit & Risk Committee. CLP recognises that risk management is the responsibility of everyone within the Group. Throughout the company, therefore risk management 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.

We have clear risk management objectives on strategic and operational levels:

- At a **strategic level**, CLP focuses on the identification and management of material risks inherently associated with the pursuit of the Group's strategic and business objectives. In pursuing growth opportunities, CLP aims to optimise risk and return decisions as defined and quantified through diligent and independent review and challenge processes.
- At an **operational level**, CLP aims to identify, assess, evaluate, and mitigate all operational hazards and risks. We do this in order to create a safe, healthy, efficient, and environmentally-friendly workplace for our employees and contractors while ensuring public safety and health, minimising environmental impact, and 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 its strategic and business objectives. In line with CLP's Value Framework and the expectations of our stakeholders, CLP only takes reasonable risks that fit our strategy and capability, can be understood and managed, and do not expose the Group to:

- Hazardous conditions affecting safety and health of our employees, contractors, and / or the general public
- Material financial loss impacting financial viability and strategy execution of the Group
- Material breach of external regulations leading to loss of critical operational and business licences, and / or substantial fines
- Damage to the Group's reputation and brand name
- Business or supply interruptions leading to severe impact on the community
- Severe environmental incidents

CLP's risk profiling criteria:

Based on our risk appetite, CLP has established a risk assessment matrix to help rank risks and prioritise risk management efforts at the Group level. Business units are required to adopt the same risk matrix structure in order to establish their own specific risk profile, determine consequences and the likelihood of identified risks, and establish risk mitigation strategies.

CLP's Risk Governance Structure

Our 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
- Recognises our **5 Lines of Assurance** model as explained below:



Board Oversight

The Audit & Risk Committee, acting on behalf of the Board:

- 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
- Oversees management of risk identification, reporting and mitigation efforts

Independent Assurance

The Group Internal Audit:

- Carries out independent appraisal of the effectiveness of the risk management framework

Management Oversight & Communication

The Chief Financial Officer and the Group Executive Committee:

- Provide leadership and guidance for the balance of risk and opportunity
- 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 the mitigating measures
- 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

Control & Monitoring

Group Functions: Finance, Risk Management, Internal Control, Tax, Operations, Information Technology, Legal, Human Resource, Sustainability

- Establish relevant Group-wide policies, standards, procedures, and guidelines
- Oversee the risk and control activities of business units relevant to their respective functions

Ownership

Business Units, Functional Units, and Individuals:

- Are responsible for identifying and assessing key risks in their areas of responsibility, making effective risk management decisions, establishing risk mitigation strategies, and promoting a risk-aware culture
- 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
- Appoint risk managers or coordinators to facilitate communication, experience sharing, and risk reporting

Group Risk Management Function

- Implements the Group's Risk Management Framework, and assists business units in implementing their own frameworks
- Manages regular risk review and risk reporting processes of the Group
- Facilitates independent risk appraisal for projects seeking endorsement by the CLP Holdings Investment Committee
- Facilitates risk communication, experience sharing, and risk reporting

CLP's Risk Management Process

The process is integrated into business and decision-making processes and involves:

- Establishing the context
- Identifying risks and assessing their potential consequences and likelihood
- Evaluating the risk level, control gaps, and priorities
- Developing control and mitigation plans

It is a continuous and interactive process with stakeholder communication and consultation, and is subject to regular monitoring and review.



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 right managerial level
- (3) Effective risk dialogue among the management team
- (4) Proper governing of risk mitigation efforts

Top-down Process

- At the Group Risk Management quarterly meetings, members of the Group Executive Committee discuss the top-tier risks and examine any other risk issues that they consider important. This dialogue offers an opportunity for the 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

- Our business units and group functions are required to submit their list of material risks identified through their risk management process to Group Risk Management on a quarterly basis.
- Through a diligent process of aggregation, filtering, prioritising, and consultation, Group Risk Management compiles a Quarterly Group Risk Management Report for review and discussion by the Group Executive Committee.
- Upon approval, the Report is submitted to the Audit & Risk Committee on a quarterly basis. "Deep dive" presentations on selected risks are presented to the Audit & Risk Committee for more detailed review.

Risk Review Process for Investment Decisions

- All new material investments must be endorsed by the CLP Holdings Investment Committee, chaired by the CEO, before approval is sought from the Board or Finance and General Committee.
- CLP adopts a multi-gated system of periodic project appraisals during development and investment cycles.
- CLP requires 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 and mitigations and to assess risk levels. Material risks and associated mitigations are highlighted and discussed at the Investment Committee.

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 125 to 126.

Risk Management in the Business Planning Process

- As part of the annual business planning process, business units are required to identify all material risks that may impact the delivery of their business objectives. Overarching strategic risks to the Group are also reviewed. Identified risks are evaluated based on the same set of risk profiling criteria as the quarterly risk review process and plans to mitigate the identified risks are developed. The material risks listed on pages 131 to 135 have been laid out in our 2017 business planning process.

Material Risks to the Group

As an investor and operator in the energy sector of the Asia-Pacific region, CLP categorises its risk profile into five key risk areas: Regulatory, Financial, Market, Commercial, and Industrial and Operational. CLP's 2017 business planning process has identified the following areas as material risks to the Group:

Regulatory Risk

CLP operates in a heavily regulated industry and regulatory risk remains a key challenge for us.

Following the conclusion of the new Scheme of Control Agreement, the short-term regulatory risk of Hong Kong business has reduced. However, the risk remains of adverse regulatory changes in the medium to longer term.

Our Australian business continues to face regulatory uncertainty on numerous fronts in the absence of a national energy and climate policy, including carbon, renewable energy target, spot market rule changes, emissions reduction scheme, and retail pricing re-regulation.

In Mainland China, the implementation of power sector reforms including market power sales, transmission and distribution pricing mechanism, and the spot electricity wholesales market, is gathering pace. The practical implications may vary from province to province.

We manage by:

- a) Working constructively with governments to advocate our positions on regulatory changes
- b) Implementing comprehensive stakeholder engagement plans to facilitate sensible and informed discussion on regulatory matters
- c) Mobilising internal resources to ensure timely response to regulatory changes and maintaining regulatory compliance
- d) Communicating and highlighting the importance of a balance between reliable and safe supply, care for the environment, and reasonable tariffs
- e) Reinforcing CLP's efforts in caring for the community and promoting energy efficiency

Group Top Tier Risk – Regulatory	Changes in 2017	Additional References
Uncertain regulatory changes impacting EnergyAustralia	← →	Pages 60 – 65
Regulatory and political risk of Hong Kong business	↓	Pages 39 – 44
Uncertain impacts of China power sector reforms	← →	Pages 46 – 50

Financial Risk

<p>CLP's investments and operations, which are long term in nature, are exposed to various financial risks including cash flow and liquidity risks, credit and counterparty risks, interest rate risks, and foreign currency risks.</p> <p>Group-level earnings may also be impacted by marked-to-market fair value gains or losses as some of our economic hedges are classified as ineffective according to the Hong Kong Financial Reporting Standards.</p> <p>The highly volatile foreign exchange and equity markets and anticipated interest rate hikes have further increased the challenge for CLP to secure financing for development projects on competitive terms.</p>	<p>We manage by:</p> <ol style="list-style-type: none"> Maintaining strong investment grade credit ratings and preserving a healthy capital structure Soliciting adequate and cost-effective funding Securing debt funding diversity and maintaining an appropriate mix of committed credit facilities Maximising the use of local funding options Hedging most transactional foreign currency exposures in line with CLP's Treasury Policy Pursuing "natural hedge" by matching currency of revenue, cost and debt as well as ensuring project level debt financing should be denominated in and/or swapped into functional currency where possible Controlling financial counterparty exposure by transacting only with creditworthy and pre-approved financial institutions, allocating exposure limits based on bank's credit standing, and ensuring non-recourse to CLPH for counterparties of CLPH's subsidiaries and affiliates Maintaining good, trustworthy relationships with lenders Ensuring transparency in financial communications and disclosures
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Group Top Tier Risk – Financial	Changes in 2017	Additional References
Foreign currency risk associated with the Group's investments	← →	Pages 68 – 72
Group's liquidity risk of adequate funding at competitive terms	← →	Pages 68 – 72
Default of Group's financial counterparties	← →	Pages 68 – 72

Market Risk

<p>Market risk is another driver of earnings volatility facing the Group.</p> <p>The swings from oversupply to undersupply in the wholesale generation market as well as increasing retail competition continue to impact EnergyAustralia.</p> <p>In Mainland China, changes in the structure of the economy, tighter environmental rules and increasing market sales through competitive bidding have led to a reduction in the output and lower tariffs for the thermal power plants, notably Fangchenggang, amid an increase in coal prices resulting from supply side intervention and imported coal restriction.</p>	<p>We manage by:</p> <ol style="list-style-type: none"> Focusing on restoring value to EnergyAustralia's business through four strategic objectives: becoming a world-class energy retailer; leading in NextGen products and services; developing a sustainable low-cost operating model; optimising centralised generation Managing actively our wholesale energy portfolio and implementing strategies to align wholesale and retail positions Implementing an approved energy risk policy, with energy market transactions subject to approved limits and controls Exploring different revenue streams and value-added services for our customers Improving our current operations, fuel procurement, and development strategy while closely monitoring our operating cash flow in view of market volatility Specific to Mainland China: <ul style="list-style-type: none"> Proactively engaging with government to advocate our positions on coal supply issues, tariff adjustment, and generation dispatch and power supply opportunities Securing more market sales contracts with large industrial customers
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Group Top Tier Risk – Market	Changes in 2017	Additional References
Energy market volatilities and retail competition impacting EnergyAustralia	← →	Pages 60 – 65
Volume risk and coal supply issues affecting Fangchenggang Power Station	↑	Pages 46 – 50

Commercial Risk

<p>Commercial risk refers to potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties. It is important to ensure that our trading partners or counterparties are reliable, financially healthy, and willing to pay.</p> <p>Currently, key commercial risks impacting CLP are commercial disputes with offtakers over the implementation of power purchase agreements (PPAs), the financial health of our counterparties, fuel supply security and price volatility, payment delay, tariff affordability, and tariff adjustment challenges.</p>	<p>We manage by:</p> <ol style="list-style-type: none"> Diligently pursuing resolution of payment delays and disputes with offtakers Monitoring the financial health of our counterparties including offtakers, fuel suppliers, equipment suppliers, engineering, procurement, construction (EPC), and operation and maintenance (O&M) contractors Liaising with our fuel suppliers to mitigate ongoing sources of environmental, economic, operational, delivery and credit risks affecting fuel supply security; contingency planning for potential supply disruptions Diversifying our fuel sources and fuel procurement strategy in order to secure a stable supply of fuel while attaining a lower average fuel cost for our customers Reviewing the merit order of our plants and ensuring their competitiveness in the long run
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Group Top Tier Risk – Commercial	Changes in 2017	Additional References
EnergyAustralia's Mount Piper coal supply risk	↔	Pages 61 – 63
Major commercial disputes with offtakers over PPAs in India	↔	Pages 243 – 244
Hong Kong gas supply security	↔	Pages 40 & 44
Volatility of fuel costs for Hong Kong business and challenge of tariff adjustments	↑	Pages 39 – 40, 44
Counterparty risk of Indian EPC and O&M contractors	↓	-
Risk of PPA extension at Paguthan Power Station	↔	Page 56
Litigation related to EnergyAustralia's Iona gas plant disposal	New	Pages 62 & 244

Industrial & Operational Risk

CLP's operations are exposed to a variety of industrial and operational risks relating to Health, Safety, Security and Environment (HSSE), plant performance, human capital, data privacy, cyber-attacks, and extreme weather events as a result of climate change.

In particular, climate change and cyber security are two key emerging risks which may have material impact on the Group over a longer timeframe.

CLP continues to face the risk of safety incidents and contractors' safety management. Despite CLP's efforts in safety, two fatal incidents occurred in 2017 which resulted in the death of four contractor workers in Hong Kong.

We manage by:

- Planning and implementing operations and system reinforcements where necessary in order to maintain high operational and emissions performance
- Enhancing our operational efficiency and reliability by strengthening our asset and fleet management
- Maintaining emergency response and crisis management plans with regular drills
- Implementing the CLP Group HSSE Management System and group-wide initiatives to prevent serious injuries and fatalities, enhance our safety leadership and improve safety management of contractors
- Implementing the Project Management Governance System to facilitate a consistently safe, timely and cost-effective delivery of high quality projects
- Implementing appropriate controls, technologies and practices at all levels to mitigate cyber security risks so as to (i) avoid disruption to energy supply systems, (ii) protect confidentiality, integrity and availability of information assets, and (iii) comply with the necessary regulatory requirements

Group Top Tier Risk – Industrial & Operational	Changes in 2017	Additional References
Major HSSE incidents at construction or operating plants	↑	Pages 20, 43, 81, 86, 91 – 93
Uncertainty in plant performance of Jhajjar in India	↔	Pages 53 – 54, 56
Cyber-attack on business and power systems	↔	Pages 79 – 80
Performance risk of wind power projects across the Group	↔	Pages 47 & 52
Extreme weather events	↔	Pages 40, 75 – 76

↑ Risk level increased

↓ Risk level decreased

↔ Risk level remained broadly the same

Continuous Improvement

CLP is facing a wide range of current and emerging risks which demand continuous and close attention by management. We are committed to continually improving our risk management framework, capabilities, and culture across the Group to ensure the long-term growth and sustainability of our business.

Given the increasing significance of Environmental, Social and Governance (ESG) risks as well as performance, we have been exploring ways to strengthen our capability in monitoring emerging ESG risks and opportunities. We have also begun a pilot project to explore ways of integrating our knowledge of global trends with the process of identifying emerging risks and opportunities.

Effectiveness Review of Risk Management and Internal Control Systems

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 126 and the Audit & Risk Committee Report on page 138.

It should be acknowledged that our risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement.



Geert Peeters
Executive Director & Chief Financial Officer
Hong Kong, 26 February 2018

Audit & Risk Committee Report

Members

The Audit & Risk Committee (known as the Audit Committee until January 2018) is appointed by CLP Holdings' Board of Directors. All four members of the Committee are Independent Non-executive Directors, namely:

- Mr Vernon Moore as the Chairman;
- Mr Nicholas C. Allen;
- Mrs Fanny Law; and
- Ms Irene Lee.

Full biographies of the members are set out on pages 96 to 99.

In addition to the members, the regular attendees at the Committee's meetings include:

- Mr Richard Lancaster (Chief Executive Officer);
- Mr Geert Peeters (Chief Financial Officer);
- Mr David Simmonds (Group General Counsel & Chief Administrative Officer);
- Mr Benjamin Lau (Senior Director – Group Financial Control);
- Mr Pablo Arellano (Senior Director – Group Financial Planning & Control);
- Ms Kathy Liu (Senior Director – Group Internal Audit); and
- Representatives from PwC (External Auditor).

Meetings and Attendance

The Committee held six meetings during 2017 and another two meetings were held in 2018 up to the date of this Report. Individual attendance of members for the 2017 meetings is set out in the Corporate Governance Report on page 112. The following table shows the topics the Committee considered during the period:

	2017						2018	
	Jan	Feb	Apr	Jun	Jul	Oct	Jan	Feb
Risk Management, Internal Control and Compliance								
Quarterly risk management report		✓	✓		✓	✓		✓
Deep dive into selected risks and processes			✓	✓	✓	✓		
Internal control review update		✓		✓		✓		✓
Risk management and internal control systems		✓	✓	✓	✓	✓		✓
Management's general representation letter		✓			✓			✓
Outstanding internal audit issues		✓	✓	✓	✓	✓		✓
Legal and regulatory compliance		✓			✓			✓
Interim and Annual Financial Statements								
Annual and interim financial statements and reports		✓			✓			✓
Assessment of critical accounting and judgmental issues	✓			✓			✓	
Sustainability Report data assurance review		✓				✓		✓

	2017						2018	
	Jan	Feb	Apr	Jun	Jul	Oct	Jan	Feb
Internal and External Auditing								
Internal audit results and audit issues		✓	✓	✓	✓	✓		✓
Internal audit policies and practices						✓		
Ethical and controls commitment surveys			✓		✓			
PwC's audit report		✓			✓			✓
Audit fees and non-audit matters		✓						✓
Audit plan and audit progress		✓	✓	✓	✓	✓		✓
Corporate Governance								
Corporate governance trends, developments and related policies						✓		
Code of Conduct and whistleblowing cases		✓	✓	✓	✓	✓		✓
Continuing connected transactions		✓						✓

EnergyAustralia

CLP's 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) that carries out the functions of an audit and risk committee for EnergyAustralia's business.

The Committee's function with respect to the operations of EnergyAustralia is strengthened and supplemented by EnergyAustralia ARC. There is an open invitation between this Committee and the EnergyAustralia ARC for members to attend the other committee's meetings.

Between 1 January 2017 and the date of this Report, the Chairman of the Committee participated in two EnergyAustralia ARC meetings and the Chairman of EnergyAustralia ARC participated in one meeting of the Committee. The Chairman of the Committee also had the opportunity of meeting with members of the EnergyAustralia ARC informally.

Responsibilities

Terms of Reference

To better reflect the current responsibilities and nature of work of the Committee, the title of the Committee was changed in January 2018 to the "Audit & Risk Committee".

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

Accountability

The Committee is accountable to the Board. The Chairman makes a regular report to the Board on the Committee's review of significant internal control and risk management issues and the Company's annual/interim results. In addition, the Chairman reports to the Board annually on the Committee's activities. During the year, the Chairman reported on the Committee's work on reviewing cyber and physical security at a Board meeting where management provided a briefing on these topics in particular, the Chairman reported on the Committee's assessment of the risks posed to the business by the potential cyber and/or physical attacks, and CLP's preparedness.

Primary Responsibilities

The Committee's primary responsibilities are to:

- assure that adequate risk management and internal control systems are in place and followed;
- assure that appropriate accounting principles and reporting practices are followed;
- review, and to make sure that, the assurance of the sustainability data in the Sustainability Report is appropriate;
- satisfy itself that the scope and direction of external and internal auditing are adequate;
- satisfy 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 responsibilities of the boards of CLP subsidiaries); and
- perform the corporate governance duties described further in this Report and fulfil the functions conferred on the Committee by the CLP Code.

The next section of the Report highlights the key focus areas of the Committee in the period under review, and illustrates the manner in which the Committee discharges its responsibilities.

Summary of Work Done

The Committee's key areas of focus for the full year 2017 and in 2018 up to the date of this Report are set out below:

Areas of focus	How did the Committee address such areas?
Risk Management, Internal Control and Compliance	
Risk management and internal control	<p>The Committee received and reviewed management's periodic internal control review updates and the Group's quarterly risk management reports.</p> <p>To provide further assurance to the Committee regarding the effectiveness of the risk management and internal control systems, the CEO and CFO provided to the Committee General Representation Letters describing the state of internal control and other matters prior to the publication of the interim and annual financial statements (see page 126 for further details regarding the General Representation Letters).</p> <p>The Committee's monitoring of the risk management and internal control systems were greatly assisted by the GIA and by the external auditor's report of their testing of the control environment of the Group. During the period, no material internal control issues were identified.</p> <p>The Committee was satisfied that the Group's risk management and internal control systems were effective for the period and that these continue to be effective and adequate as at the date of the Report.</p> <p>When the risk rating for "health, safety, security and environment" was increased following the fatality incidents in 2017, management delivered a deep dive briefing to the Committee, and explained to the Committee management's framework and approach to addressing the risk "serious injuries and fatalities". The Committee acknowledged the various initiatives that were being implemented and also invited management to report back to the Committee on the progress in due course.</p> <p>The Chairman along with another Member attended and observed a typhoon drill exercise conducted by CLP Power Hong Kong. They were able to see first-hand the procedures that were activated and undertaken in the scenario of a super typhoon hitting Hong Kong. They found the preparedness of the staff and the whole process and exercise to be reassuring.</p>

Areas of focus	How did the Committee address such areas?
Compliance	<p>The Committee reviewed the Group's compliance with applicable legal and regulatory requirements including the CLP Code, the Stock Exchange Code, the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance.</p> <p>The Committee noted that the only exception was that CLP does not publish quarterly financial results and agreed with the considered reasons for this approach; please refer to the Corporate Governance Report, Compliance with the Stock Exchange Code and the ESG Reporting Guide, page 106.</p>
Cyber security	<p>Cyber security was identified as a significant risk to the Group and is recorded and tracked in the Group's Risk Heat Map.</p> <p>In 2017, the Committee received a regular update on the status of the Group's cyber security initiatives from management, such as the continuous development of cyber-safe culture of CLP and the worldwide cyber security trends. Furthermore, shortly after the "wannacry" global widespread cyberattack that affected many organisations, an additional briefing on the attack was conducted, and highlighted precautionary measures that were taken which prevented CLP from being affected by the attacks.</p>
Interim and Annual Financial Statements	
Annual Reports and Interim Report	The Committee reviewed the 2016 and 2017 Annual Reports and the 2017 Interim Report and on the recommendations from the Committee, these were approved by the Board.
2017 Financial Statements – judgmental issues	Management and PwC presented to the Committee the key judgmental issues with material accounting impact. These included the review of the carrying values of the Group's generation assets and goodwill, and the disclosures and accounting treatment of certain litigation and disputes. The Committee agreed with the judgements made.
Sustainability Report data assurance	<p>The Committee considered and took note of PwC's report on the sustainability assurance in respect of the 2016 and 2017 Sustainability Reports.</p> <p>In 2017, CLP Holdings adopted the Climate Action Finance Framework to facilitate the arrangement of socially sustainable financings, and pursuant to which a Climate Action Finance Report will be issued. The Committee reviewed and approved the engagement of PwC for the limited assurance engagement on the Climate Action Finance Report for inclusion in the 2017 Sustainability Report.</p>

Areas of focus	How did the Committee address such areas?
Internal and external auditing	
Internal audit	<p>The Committee received and considered reports from the Senior Director – Group Internal Audit. Four reports out of a total of 31 submitted carried an unsatisfactory audit opinion.</p> <p>The Committee and management had detailed discussions on the matters covered by all the reports. Those with unsatisfactory opinions received special attention, and in a number of cases, relevant business unit management attended a Committee meeting to discuss with the Committee the issues, context, measures taken and to be taken, and business implications. The reports identified control weaknesses in relation to certain areas of the EnergyAustralia sales call process; lack of a maintenance plan at one plant; inadequate user access review and change management processes; and verification of contract deliverable documents in different individual business units. None of the control weaknesses identified had a material impact on the financial statements.</p>
Internal audit function	The Committee also 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.
Financial Statements – auditor’s opinion	For both the 2016 and 2017 financial statements, PwC presented the auditor’s opinion on the financial statements, which focused on the Key Audit Matters that were most significant in the audit process. The drafting of the Key Audit Matters was carefully considered and reviewed by the Committee and the final Key Audit Matters incorporated and reflected the comments from the Committee while being the independently formed view of the auditor.
External audit related	<p>The Committee reviewed the following fees payable to PwC:</p> <ul style="list-style-type: none"> • audit fees for 2016 and 2017 for approval by the Board; and • permissible audit related and non-audit services provided by PwC for 2016 and 2017 (please see page 124 for further details). <p>PwC was reappointed as external auditor for 2017 at the 2017 Annual General Meeting and the reappointment was approved by over 99.9% of the shareholders’ votes.</p> <p>For 2018, the Committee having considered and being satisfied with PwC’s performance and independence as external auditor, recommended to the Board that PwC be reappointed. The Company’s shareholders will consider this at the forthcoming 2018 AGM. PwC had issued a letter of independence to the Audit & Risk Committee: for further details on the assessment of their independence, please see page 124. The Committee considers that regular change to the lead audit partner is a better assurance of independence than changing the audit firm. The current lead audit partner has served for four years.</p> <p>The Committee approved the appointment of KPMG in place of PwC India as statutory auditor of the CLP India business. Regular audit firm rotation is a mandatory requirement of Companies Act 2013 of India.</p>

Areas of focus	How did the Committee address such areas?
Corporate Governance	
Corporate Governance practices	The Committee received a report of Corporate Governance Policies and Practices Review. The Committee took note of the Review regarding shareholders’ communication policy, Code of Conduct, whistleblowing policy, and policy and guidelines on the provision of gifts and entertainment, CLP’s corporate governance practices as well as the new initiatives of the Hong Kong Stock Exchange and the Securities and Futures Commission. The Committee was supportive of the contents of the Review and the new initiative to extend the invitation for the Shareholders’ Visit Programme to non-registered shareholders (i.e. those who hold through brokerage or nominee accounts).
Continuing connected transactions	The Committee considered the work by PwC on the annual reporting and confirmation of continuing connected transactions required by the Listing Rules. The members noted that PwC had undertaken additional agreed upon procedures for the review of certain selected continuing connected transactions.
Code of Conduct	<p>The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of the 28 breaches in 2017 were material to the Group’s financial statements or overall operations. The breaches were mainly related to issues of work place behaviour and individuals’ ethics and integrity. None of the reported Code of Conduct violations involved senior managers.</p> <p>The Committee noted that a Business Practice Review was conducted in 2017 for the Group other than EnergyAustralia (their review will be conducted in 2018). This review is an in-person training programme mandatory for all employees and encouraged for contractors, carried out once every four years, to refresh their understanding of the CLP Code of Conduct and other major corporate policies. More than 350 sessions were held in 2017 which covered over 6,000 full-time employees and 1,600 contractors.</p>

Audit & Risk Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Committee during 2017 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 external auditors. The CLP Holdings Board endorsed the Company Secretary’s evaluation.



Vernon Moore
 Chairman, Audit & Risk Committee
 Hong Kong, 26 February 2018

Sustainability Committee Report

Members

The Sustainability Committee is appointed by CLP Holdings' Board of Directors and the members of the Committee are:

- Mr Richard Lancaster (Chief Executive Officer) as the Chairman;
- Mr Nicholas C. Allen (Independent Non-executive Director);
- Mrs Fanny Law (Independent Non-executive Director);
- Ms Irene Lee (Independent Non-executive Director);
- Mr Andrew Brandler (Non-executive Director); and
- Ms Quince Chong (Chief Corporate Development Officer).

Full biographies of the members are set out on pages 96 to 101.

In addition to the members, the regular attendees at the Committee's meetings include:

- Mr Geert Peeters (Chief Financial Officer);
- Mr Derek Parkin (Chief Operating Officer);
- Mr David Simmonds (Group General Counsel & Chief Administrative Officer);
- Mr Roy Massey (Chief Human Resources Officer); and
- Dr Jeanne Ng (Director – Group Sustainability).

Meetings and Attendance

The Committee meets as frequently as required but not less than twice a year and any Committee member may call a meeting. Between 1 January 2017 and the date of this Report, the Committee met four times (including three times in 2017 and once in 2018). The following table provides an overview of how the Committee spent its time during the period:

	February	2017 September	November	2018 February
Sustainability Reporting / Indices Performance	✓		✓	✓
Community Investment Activities	✓			✓
Climate Change		✓	✓	
Health, Safety, Security and Environment		✓		
Sustainable Development Goals		✓	✓	

Responsibilities

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. [🔗](#)

Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board, at CLP's expense, 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:

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

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.

Summary of Work Done

The work performed by the Committee during this period is summarised below.

An important area of work of the Committee was the comprehensive review of the Climate Vision 2050.*

Areas of focus	How did the Committee address such areas?
Sustainability goals, priorities, policies & frameworks	
Climate Vision 2050* Review	The Committee was briefed on the climate change-related developments globally and the progress of management's review of CLP's Climate Vision 2050, having regard to the following key objectives: risk management, support of CLP Group strategy, improved disclosure and continued leadership. The Committee also reviewed and endorsed management's proposed amendments to the Energy Transition Targets and the Renewable Energy and Non-Carbon Emitting Clean Energy Targets in the Climate Vision 2050. Discussions on the revised Climate Vision 2050 can be found in the Chairman's Statement on page 14, CEO's Strategic Review on page 17 and Natural Capital on page 90.
Sustainable Development Goals (SDGs) 2030	The Committee deliberated on the different SDGs and how these were relevant to CLP's current business objectives and strategy. Management took on board the Committee's views and feedback on their proposals, and the Committee adopted the following 4 SDGs as CLP's 2030 SDGs: SDG 13 (Climate Action), SDG 7 (Affordable & Clean Energy), SDG 8 (Decent Work & Economic Growth) and SDG 9 (Industry, Innovation & Infrastructure).
Operational Health, Safety, Security & Environment Standards	The Committee reviewed and discussed management's findings on tackling serious injuries and fatalities, including the need to focus on serious injuries and fatalities, identifying common themes from fatal accidents and the establishment and implementation of the Serious Injuries and Fatalities Framework.
Sustainability trends and risks	
Climate change-related developments and risks*	The Committee was briefed on the global trends for climate change-related developments and carbon-related reporting disclosures including: divestment from institutional investors, increasing institutional investor expectations on carbon risk disclosure and recommendations from the Financial Stability Board's Task Force on Climate-related Financial Disclosures.
SDGs benchmarking	The Committee was provided with relevant benchmarking of how many and what SDGs were being adopted by our industry peers as background to the discussion on the development of CLP's SDGs.

Areas of focus	How did the Committee address such areas?																
Sustainability performance																	
Performance on external sustainability indices	<p>The Committee reviewed CLP's performance on external sustainability indices with the ultimate objective of improving our sustainability performance.</p> <p>The Committee analysed the results of our 2016 sustainability performance and noted CLP's overall rankings on the Dow Jones Sustainability Index (DJSI) and CDP have been maintained although it is clear through our slightly lower ratings in 2017, that other companies are improving their scores as well. The Committee recommended CLP to continue to focus on improving performance where appropriate and for Senior Management to continue to review the survey submissions on a regular basis with a focus on the areas identified for possible improvement.</p> <p>Further details of selected 2017 sustainability ratings for CLP's 2016 sustainability performance is shown in the following table. The scores reflected the performance of the year before.</p> <table border="1"> <thead> <tr> <th>Index Name</th> <th>2017 Score</th> <th>2016 Score</th> <th>2015 Score</th> </tr> </thead> <tbody> <tr> <td>DJSI</td> <td>70</td> <td>73</td> <td>57</td> </tr> <tr> <td>CDP – Climate</td> <td>B *</td> <td>A-</td> <td>96 (C)</td> </tr> <tr> <td>Hang Seng Corporate Sustainability Index</td> <td>A+</td> <td>AA</td> <td>AA</td> </tr> </tbody> </table> <p>* CDP reviewed their scoring methodology again in 2017, shifting the weighting of certain questions. Hence year-on-year performance cannot be compared directly.</p>	Index Name	2017 Score	2016 Score	2015 Score	DJSI	70	73	57	CDP – Climate	B *	A-	96 (C)	Hang Seng Corporate Sustainability Index	A+	AA	AA
Index Name	2017 Score	2016 Score	2015 Score														
DJSI	70	73	57														
CDP – Climate	B *	A-	96 (C)														
Hang Seng Corporate Sustainability Index	A+	AA	AA														
Sustainability Reporting																	
Sustainability Reporting Standards	<p>The Committee considered the evolving approach in preparing the Sustainability Report both in terms of industry standards and regulatory compliance. The Committee took note and gave its support for the launch of the website format of the Sustainability Report.</p> <p>The Committee endorsed the preparation of the 2017 Sustainability Report in accordance with the Core level of the GRI Sustainability Reporting Standards and in reference to the International Integrated Reporting Council's International <IR> Framework. The Committee also reviewed the 2017 In Essence Sustainability Report.</p> <p>The Committee noted the 2017 boundary scoping and materiality identification results and the related sustainability assurance findings. The number of KPIs assured remained at 35 in 2017, same as in 2016.</p> <p>The Committee also considered and endorsed the presentation of the contents of the 2017 Sustainability Report and how it meets the Hong Kong Stock Exchange's ESG Reporting Guide "comply or explain" and "recommended disclosure" requirements, as well as the GRI Sustainability Reporting Standards. The Committee also took note of the inclusion of the Five-year Summary of statistics on the Group's environmental and social performance in this Annual Report (pages 266 and 267) which contains cross-references to the KPIs suggested in the Hong Kong Stock Exchange's ESG Reporting Guide.</p>																
Sustainability data assurance	<p>The continuing practice of commissioning independent assurance of selected KPIs was reported to and acknowledged by the Committee. The oversight of the assurance of the metrics and reporting is the responsibility of the Audit & Risk Committee.</p>																



Areas of focus	How did the Committee address such areas?
Community, charitable and environmental partnerships and initiatives	
Community initiatives	<p>The Committee reviewed management's report on the community initiatives undertaken by CLP in 2017 and supported the proposed overall strategy for 2018 as well as the specific initiatives in terms of the following:</p> <ul style="list-style-type: none"> • spending by country, theme and programme; • volunteering contributions; and • the number of programmes and beneficiaries.

Looking Ahead

The Committee will continue to review its role of supporting the Board and overseeing management in the development, implementation, measurement and reporting of the Group's social, environmental and ethical performance. This will ultimately enable the CLP Group to operate on a sustainable basis for the benefit of current and future generations.

Richard Lancaster
Chairman, Sustainability Committee
Hong Kong, 26 February 2018

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 and 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 has been reviewed and endorsed by the HR&RC.

As stated in Note 29(C) to the Financial Statements on page 242, the following sections in the highlighted boxes below form part of the Financial Statements and have been audited by the Company's Auditor:

- "Non-executive Directors – Remuneration in 2017";
- "Change of Remuneration – Executive Directors and Senior Management";
- "Executive Directors – Remuneration in 2017";
- "Total Directors' Remuneration in 2017"; and
- "Senior Management – Remuneration in 2017" which includes the five highest paid individuals.

Membership

The HR&RC is appointed by CLP Holdings' Board of Directors. There are no Executive Directors on the HR&RC and a majority of the HR&RC members are Independent Non-executive Directors. The members are:

- Mr Vincent Cheng (Independent Non-executive Director) as the Chairman;
- Mr William Mocatta (Non-executive Vice Chairman);
- Mr Vernon Moore (Independent Non-executive Director);
- Mr Nicholas C. Allen (Independent Non-executive Director); and
- Mrs Zia Mody (Independent Non-executive Director).

Full biographies of the members are set out on pages 96 to 99.

Responsibilities and 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 Remuneration Committee.

The HR&RC held three meetings during 2017 and one meeting in 2018 up to 26 February 2018 (the date of this Report). Between 1 January 2017 and the date of this Report, the HR&RC approved the 2016 and 2017 HR&RC Reports, and reviewed the following:

Performance and Remuneration Review

- Group performance for 2016 and 2017 and Group targets for 2017 and 2018.
- 2016 and 2017 organisation performance for CLP Power Hong Kong and CLP India and targets for 2017 and 2018.
- Base pay for 2017 and 2018 for Hong Kong payroll staff, CLP India and China.
- CEO's remuneration.
- Remuneration of direct reports to the CEO, including annual incentive payments for 2016 and 2017 and pay review for 2017 and 2018.

Training and Benefits Review

- Training and continuous professional development of Senior Management.
- Vacation and working hours review for Hong Kong payroll staff.

Succession Planning and Organisational Evolution

- Senior Management succession plan review 2017 and update on talent development initiatives.

Human Resources Trends and Development

- Update on trends in reporting of executive remuneration.
- Review on gender pay equity issues and reporting.
- Update on human rights due diligence exercise and potential human resources policy implications.
- Review of use of contractor labour.

Remuneration Policies

The main elements of CLP's remuneration policy 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.
- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals and promoting the enhancement of the value of the Company to its shareholders.

Non-executive Directors – Principles of Remuneration

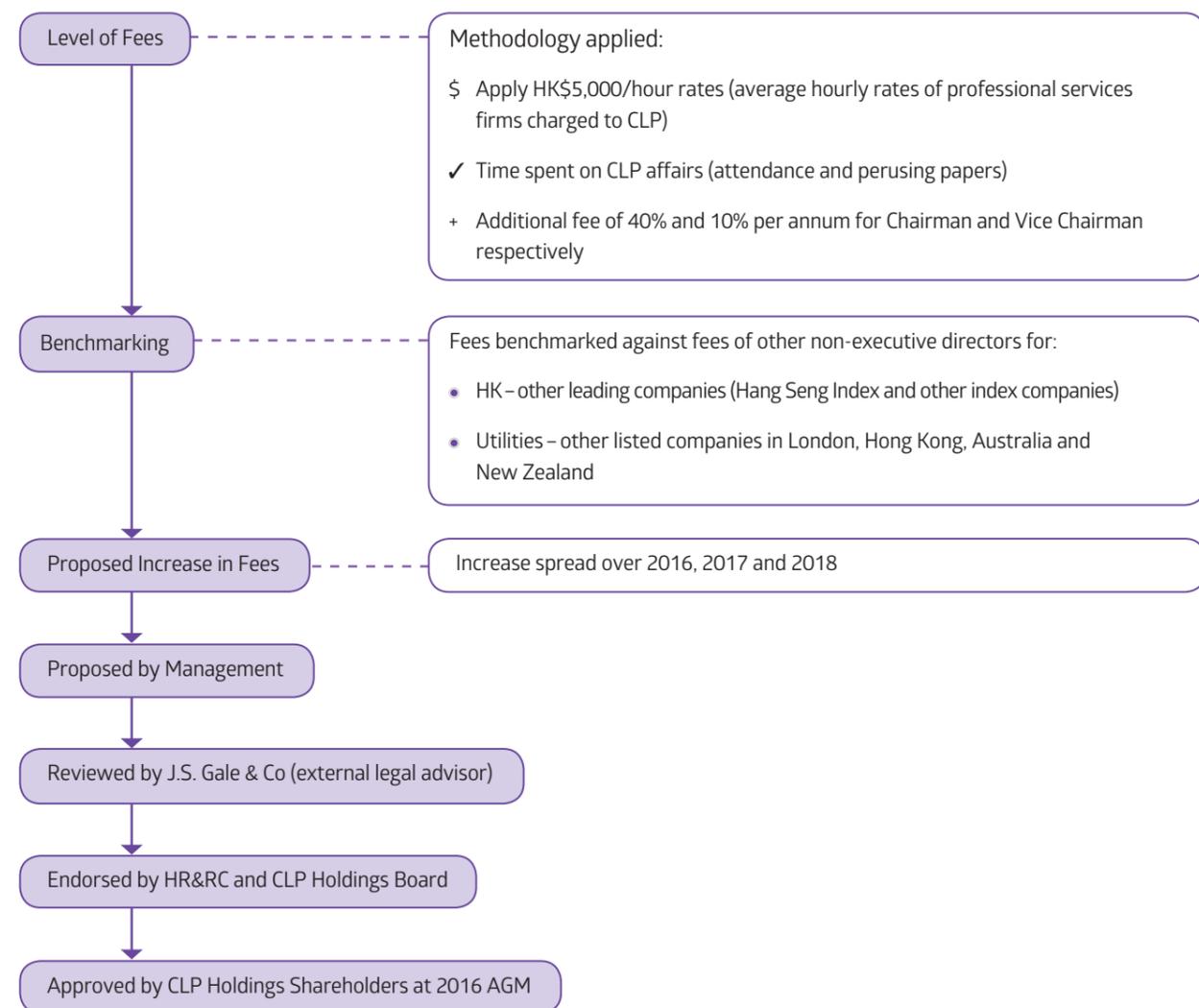
The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not employees of the Company.

In considering the level of remuneration payable to Non-executive Directors, we have referred to:

- Report of the Committee on the Financial Aspects of Corporate Governance of December 1992;
- “Review of the Role and Effectiveness of Non-executive Directors” of January 2003 as subsequently codified in the Financial Reporting Council’s “The UK Corporate Governance Code” published in September 2014; and
- The Stock Exchange Code and associated Listing Rules.

CLP’s Non-executive Directors are remunerated in line with market practice such that CLP is able to attract and retain high-calibre candidates needed to run a company successfully, but no more than is necessary for this purpose. The fees are subject to a formal independent review undertaken no less frequently than every three years. The current level of fees were reviewed at the beginning of 2016 (the 2016 Review). The methodology adopted in the 2016 Review is the same as that used in the previous reviews and as explained to shareholders in the CLP Code, save for the adoption of an average of total working hours of Non-executive Directors over three review periods in order to smooth out the effect of short-term fluctuations in their workload. CLP’s approach goes beyond that required by law or regulation in Hong Kong or the provisions of the Stock Exchange Code; the [2016 Review and the opinion of J.S. Gale & Co on that 2016 Review](#) are placed on CLP’s website. [🔗](#)

The 2016 Review and methodology applied are summarised as follows:



Fees for Non-executive Directors¹

	Fees per annum (before 6 May 2016) HK\$	Fees per annum (w.e.f. 6 May 2016) HK\$	Fees per annum (w.e.f. 6 May 2017) HK\$	Fees per annum (w.e.f. 6 May 2018) HK\$
Board				
Chairman	666,900	698,300	731,200	765,600
Vice Chairman	524,000	548,600	574,500	601,500
Non-executive Director	476,400	498,800	522,300	546,900
Audit & Risk Committee (previously known as the Audit Committee and title changed in January 2018)				
Chairman	463,800	468,200	472,600	477,100
Member	334,700	336,100	337,600	339,100
Finance & General Committee				
Chairman	397,500	414,200	431,700	449,900
Member	287,400	297,700	308,400	319,400
Human Resources & Remuneration Committee				
Chairman	85,300	85,800	86,300	86,800
Member	58,800	60,200	61,600	63,100
Sustainability Committee				
Chairman	106,100	108,200	110,300	112,500
Member	78,400	78,600	78,800	79,000
Nomination Committee²				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000
Provident & Retirement Fund Committee²				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000

Notes:

¹ Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors’ fees.

² A nominal fee has been maintained for the Chairman and Member of the Nomination Committee and the Provident & Retirement Fund Committee.

The levels of fees of the Non-executive Directors were approved by the Shareholders at the 2016 AGM with high level of votes (99.99%).

Non-executive Directors – Remuneration in 2017

The fees paid to each of our Non-executive Directors in 2017 for their service on the CLP Holdings Board and, where applicable, on its Board Committees are set out below. Higher levels of fees were paid to Chairmen of the Board and Board Committees and the Vice Chairman of the Board as indicated by (C) and (VC) respectively. Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

In HK\$	Board	Audit & Risk Committee	Nomination Committee	Finance & General Committee	HR&RC	Provident & Retirement Fund Committee	Sustainability Committee	Total	Total
								2017	2016
Non-executive Directors									
The Hon Sir Michael Kadoorie	719,932.88 ^(C)	-	14,000.00 ^(C)	-	-	-	-	733,932.88	701,490.16
Mr William Mocatta ¹	565,630.14 ^(VC)	-	-	425,706.85 ^(C)	61,120.55	14,000.00 ^(C)	-	1,066,457.54	1,022,299.99
Mr J. A. H. Leigh	514,252.06	-	-	-	-	-	-	514,252.06	491,088.53
Mr Andrew Brandler	514,252.06	-	-	304,735.61	-	-	78,731.51	897,719.18	863,773.77
Dr Y. B. Lee	514,252.06	-	-	-	-	-	-	514,252.06	491,088.53
Mr Ronald J. McAulay ²	-	-	-	-	-	-	-	-	365,707.11
Independent Non-executive Directors									
Mr Vernon Moore	514,252.06	471,093.15 ^(C)	-	304,735.61	61,120.55	-	-	1,351,201.37	1,311,645.90
Sir Rod Eddington	514,252.06	-	-	304,735.61	-	-	-	818,987.67	785,242.63
Mr Nicholas C. Allen	514,252.06	337,086.30	10,000.00	304,735.61	61,120.55	-	78,731.51	1,305,926.03	1,269,109.84
Mr Vincent Cheng	514,252.06	-	10,000.00	304,735.61	86,128.77 ^(C)	-	-	915,116.44	880,870.50
Mrs Fanny Law	514,252.06	337,086.30	-	-	-	-	78,731.51	930,069.87	905,237.71
Ms Irene Lee	514,252.06	337,086.30	-	304,735.61	-	-	78,731.51	1,234,805.48	1,199,391.81
Mrs Zia Mody	514,252.06	-	-	-	61,120.55	-	-	575,372.61	550,806.56
								Total	10,858,093.19
									10,837,753.04

Notes:

- Mr William Mocatta received HK\$300,000.00 as fee for his service on the board of CLP Power Hong Kong Limited for each of 2016 and 2017.
- The fee paid to Mr Ronald J. McAulay (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2016 with those in 2017.

There was only a small increase in total Directors' fees compared to 2016, primarily due to an increase in the levels of Non-executive Directors' fees which took effect on 6 May 2017, offset by the reduction of the number of Non-executive Directors.

Change of Remuneration – Executive Directors and Senior Management

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 2017 are set out in the tables on page 152 (Executive Directors) and pages 158 to 159 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2017 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 152 and pages 158 to 159 the "total remuneration" column for 2017 includes the following recurring items:

- base compensation, allowances & benefits paid;
- 2017 annual incentive accrued based on previous year's Company performance. Additionally, as the Company performance actually achieved in 2016 was higher than the annual incentive accrual for 2016, the difference was added in the current period;
- the 2014 long-term incentive award paid in January 2017 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2013 paid in 2016). About 25% of the increase in the value of the phantom shares portion of 2014 long-term incentive payments results from the change in CLP Holdings' share price between 2014 and 2016, with dividends reinvested; and
- provident fund contribution made.

The "other payments" column includes the following non-recurring item:

- sign-on payments accrued or paid in accordance with the Company's contractual obligation for newly hired Senior Management in consideration of income foregone with their previous employer on joining CLP.

Executive Directors – Remuneration in 2017

The remuneration paid to the Executive Directors of the Company in 2017 was as follows:

	Recurring Remuneration Items					Non-recurring Remuneration Item	Total HK\$M
	Base Compensation, Allowances & Benefits ¹ HK\$M	Annual Incentive HK\$M	Long-term Incentive ³ HK\$M	Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	
2017							
CEO (Mr Richard Lancaster)	9.1	7.9	5.3	2.3	24.6	-	24.6
Executive Director & Chief Financial Officer (Mr Geert Peeters)	6.9	6.1	2.4	1.3	16.7	-	16.7
	16.0	14.0	7.7	3.6	41.3	-	41.3

	Performance Bonus ²					Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
	Base Compensation, Allowances & Benefits ¹ HK\$M	Annual Incentive HK\$M	Long-term Incentive ³ HK\$M	Provident Fund Contribution HK\$M	Total Remuneration HK\$M			
2016								
CEO (Mr Richard Lancaster)	8.8	8.0	3.0	1.6	21.4	-	21.4	
Executive Director & Chief Financial Officer (Mr Geert Peeters)	6.6	6.1	-	1.2	13.9	-	13.9	
	15.4	14.1	3.0	2.8	35.3	-	35.3	

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.
- Performance bonus consists of (a) annual incentive (2017 accrual and 2016 adjustment) and (b) long-term incentive (payment for 2014 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 2017 performance will be made in March 2018. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2017. [Details](#) of these will be published on the CLP website at the time that the 2017 Annual Report is published. [@](#)
- The Long-term Incentive (LTI) increase reflects the impact of two executives being promoted/recruited to senior roles during the vesting period together with share price appreciation.

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 2017

The total remuneration of Non-executive and Executive Directors in 2017 was:

	2017 HK\$M	2016 HK\$M
Fees	10.9	10.8
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	16.0	15.4
Performance Bonus ²		
– Annual Incentive	14.0	14.1
– Long-term Incentive	7.7	3.0
Provident Fund Contribution	3.6	2.8
Non-recurring Remuneration Item		
Other Payments	-	-
	52.2	46.1

Notes:

- Refer to Note 1 on Base Compensation, Allowances & Benefits on page 152 for Executive Directors.
- Refer to Note 2 on Performance Bonus on page 152 for Executive Directors.

Of the total remuneration paid to Directors, HK\$11.8 million (2016: HK\$11.4 million) has been charged to the SoC operation.

Executive Directors and Senior Management – Principles of Remuneration

For the purposes of this section, Senior Management means the managers whose details are set out on page 101.

CLP's Senior Management Remuneration Policy is an important element of the Group's strategy and an expression of its culture. It is designed to attract, retain and motivate high performing executives – who for their technical and managerial skills and their diversity in terms of origin and experience – are a key factor in support of CLP's long-term business success and the creation of value for our stakeholders.

Given the scale and life-span of CLP's investments, and the array of stakeholders impacted by our operations, CLP takes a long-term view to remunerating its executives for their contributions to the Company's sustainable and profitable growth.

Our Senior Managers are, depending on their role, responsible for a mix of businesses: a vertically-integrated regulated business in Hong Kong, a competitive wholesale and retail energy provider in Australia, and an independent power producer in Mainland China, India, Southeast Asia and Taiwan. Hence, the structure of our remuneration packages is assessed in terms of appropriateness to the role and alignment with the reference market.

The labour market for our CEO and most other Senior Managers extends beyond the local market. Hence, we use both local and international reference markets for purposes of competitive remuneration assessments.

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 has to be balanced with internal equity.

Our policy is based on the following principles that guide our remuneration programmes and decisions:

- appropriateness and fairness of remuneration in relation to the assigned job responsibilities and capabilities demonstrated;
- alignment with Company strategy and shareholder interests;
- competitive with respect to pay levels in the relevant reference market;
- performance based in terms of sustained results, behaviours and values; and
- governed by and compliant with the relevant regulatory frameworks.

In order to make informed decisions on competitive Total Remuneration as well as its individual components, the HR&RC takes reference from remuneration data for comparable positions at relevant local and, as appropriate, international companies that are representative of CLP's industry, size and operational characteristics and against which CLP competes for executive talent.

To assess appropriate remuneration levels for Senior Management positions, the HR&RC may give different weight to local and international company remuneration data. The comparative analysis is carried out by taking into account specific groups of comparator companies to ensure alignment with the reference market.

The competitive assessment against comparator companies is used both for assessing CLP's relative performance and for assessing the competitiveness of the remuneration packages.

As publicly disclosed comparator information is available for only a limited number of Senior Management positions, we supplement peer data from published remuneration surveys.

Our Senior Management pay structure consists of fixed pay, annual incentives, long-term incentives and a retirement arrangement. The ratio between these components reflects CLP's risk management framework that does not induce excessive risk taking and is designed to promote commitment in contributing to the achievement of sustainable results.

In determining incentive payments and Total Remuneration, the HR&RC takes into account a broad range of performance indicators including financial (e.g. long-term growth in the share price and dividends), operational, safety, environmental, social, governance and compliance related factors (see page 156). The determination of performance outcomes is not formulaic, as the HR&RC believes their overriding responsibility is to exercise judgement and responsibility.

In determining overall Total Remuneration, the HR&RC applies a balanced overall judgement, with the intention to align Total Remuneration between the median and the upper quartile of the reference market, with overall positioning consistent with business performance and with individual positioning based on an assessment of performance, potential and the strategic impact of the individual.

An independent external remuneration consultant provides the HR&RC with relevant market information and analysis, with special reference to current practices among our comparator companies at the local and international level.

In 2017, the Company made an enhancement to the retirement benefits for staff on Hong Kong payroll by increasing the employer's matching contribution to the Defined Contribution scheme for staff reaching defined length of service thresholds subject to the employee's additional contribution. The aim was to enhance the long-term sustainability of our retirement benefits scheme by anticipating the impact of increasing longevity risk.

The four components of remuneration of members of Senior Management are explained on the following pages.

Executive Directors and Senior Management's Remuneration (excluding Managing Director – EnergyAustralia)

Base Compensation

Base Compensation for each member of Senior Management is reviewed annually and takes into consideration the competitive position against the relevant labour market, the scope and responsibility of the role and individual performance. The Base Compensation accounts for 34% of his/her potential total remuneration in 2017.

Pension Arrangement

The members of Senior Management are eligible to join the Group's defined contribution retirement fund. The employer's contribution to the retirement fund ranges from 10 – 17.5% of Base Compensation plus target annual incentive. To receive the maximum 17.5% employer contribution the employee must have completed 10 or more years of service and is required to contribute 10% of Base Compensation. A 17.5% employer contribution accounts for 9% of his/her potential total remuneration in 2017.

Annual Incentive

Each member of Senior Management has a maximum annual incentive opportunity of 100% of Base Compensation, which accounted for 34% of his/her potential total remuneration in 2017. The maximum annual incentive opportunity may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the HR&RC. The actual amount awarded is determined by the HR&RC's assessment of organisational performance.

The annual incentive award depends on the performance of the CLP Group for the CEO and Hong Kong based members of Senior Management. For the Managing Director of India it is based on the performance of India.

Assessing organisational performance for the Annual Incentive

In assessing organisational performance the HR&RC takes into account a balanced scorecard of measures. Given the scale and complexity of our Group there are a large number of such measures, including both quantitative and qualitative factors.

Given this there is not a formulaic mathematical determination of performance, rather it is a balanced judgement of the HR&RC taking all relevant factors into account.

In reaching their decision the HR&RC considers two questions:

- How well did Senior Management manage performance this year?
- How well are they managing the strategic positioning of the business for the future and ensuring long-term value creation and sustainability?

In assessing performance quantitative financial and operational targets considered by the HR&RC include the following:

Area of performance	Targets
Financial	<ul style="list-style-type: none"> Operating EPS Operating earnings ROE
Safety	<ul style="list-style-type: none"> Lost Time Injury Rate Total Recordable Injury Rate Fatalities
Environmental	<ul style="list-style-type: none"> Regulatory non-compliance cases CO₂ intensity Emissions Renewable Energy capacity as a percentage of new generation portfolio
Internal control	<ul style="list-style-type: none"> Number of Not Satisfactory Audits Number of Code of Conduct cases

In addition to these financial and operational measures the HR&RC also sets a number of specific qualitative objectives each year reflecting the strategic priorities of the Group. In 2017 these objectives included:

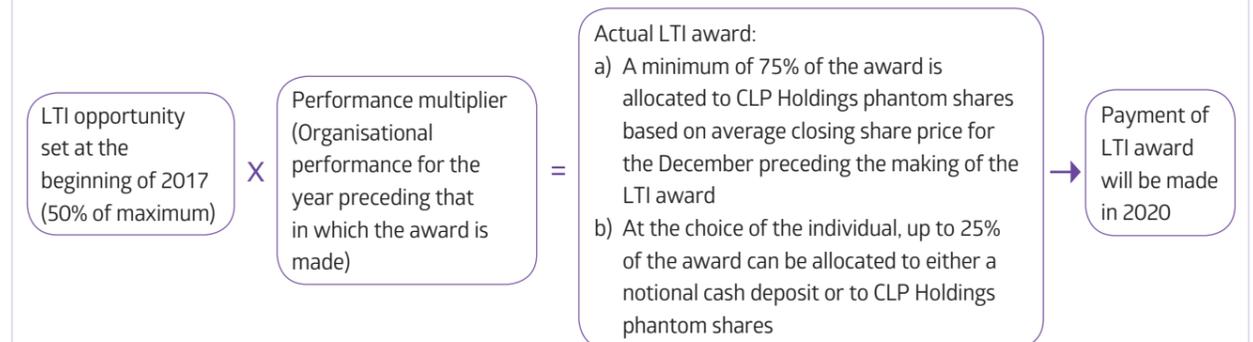
- strengthening organisational capabilities;
- identification and execution of growth opportunities in line with investment strategy;
- acceleration of the innovation agenda to ensure CLP anticipates and manages disruption; and
- reviewing our Climate Strategy and the associated technology roadmap, in the light of current science and the accelerating pace of change.

Finally, the HR&RC considers the performance of Senior Management in ensuring the long-term sustainability of the organisation in relation to four dimensions:

- Business Model
- People and Organisational Capability
- Environmental Impact
- Community Acceptance

Long-term Incentive

Awards under the Long-term Incentive (LTI) plan are based on organisational performance and support the retention of Senior Management. Each member of Senior Management has a maximum LTI opportunity of 66.6% of Base Compensation, which accounts for 23% of his/her potential total remuneration in 2017. The composition of the LTI award:



Of the long-term incentive, a minimum of 75% of the LTI payment for Senior Management is allocated to CLP Holdings phantom shares based on the average closing share price for the December preceding the making of the LTI award. The payment of which is subject to a three-year vesting period. The final value of the award, at the vesting date, is based on the 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. Senior Management have the choice of allocating 100% of the LTI to phantom shares.

The remuneration components for Ms Catherine Tanna are explained below:

Remuneration for Catherine Tanna, Managing Director – EnergyAustralia

Fixed Annual Remuneration (FAR)

FAR includes base salary and employer contribution to the Australian statutory superannuation scheme, it accounts for 29% of her potential total remuneration in 2017. It is reviewed annually taking into consideration the competitive market position compared to ASX 100 companies, market practice and individual performance.

Annual Incentive

Ms Tanna has a maximum annual incentive opportunity of 150% of FAR, which accounted for 43% of her potential total remuneration in 2017. The actual annual incentive payment depends upon the performance of EnergyAustralia against a balanced scorecard of financial, operational and strategic measures.

The actual payout of Ms Tanna's annual incentive will be approved by the Board of EnergyAustralia. 70% of her actual annual incentive for 2017 will be paid in 2018 with the remainder of the actual annual incentive deferred for two years, payable in 2020.

Long-term Incentive

Ms Tanna was assigned an initial LTI Award of 100% of FAR which accounts for 28% of her potential total remuneration in 2017.

The final value of the 2017 LTI award will be decided by the EnergyAustralia Board, depending on the achievement of the LTI Performance Conditions.

Upon determination of the Final Award Value, 100% of that value (subject to the discretion of the Remuneration Committee of EnergyAustralia) will be paid to Ms Tanna in April 2020 (the Vesting Date).

Senior Management – Remuneration in 2017

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 2017”).

	Recurring Remuneration Items						Non-recurring Remuneration Item
	Performance Bonus ²						Other Payments HK\$M
	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	Total HK\$M	
2017							
Chief Operating Officer (Mr Derek Parkin)	5.2	4.5	-	0.9	10.6	-	10.6
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen) ³	4.3	4.7	2.6	1.1	12.7	-	12.7
Managing Director – CLP Power (Mr Paul Poon) ⁴	2.3	3.0	3.2	0.6	9.1	-	9.1
Managing Director – CLP Power (Mr Chiang Tung Keung) ⁵	2.9	2.5	-	0.8	6.2	-	6.2
Managing Director – EnergyAustralia (Ms Catherine Tanna) ⁶	11.9	13.8	4.3	0.1	30.1	-	30.1
Managing Director – India (Mr Rajiv Mishra) ⁷	4.0	3.1	1.8	1.0	9.9	-	9.9
Managing Director – China (Mr Chan Siu Hung)	4.1	3.5	2.4	1.1	11.1	-	11.1
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	5.0	4.3	2.8	1.1	13.2	-	13.2
Chief Corporate Development Officer (Ms Quince Chong)	4.9	4.3	3.0	0.9	13.1	-	13.1
Chief Human Resources Officer (Mr Roy Massey)	4.0	3.8	1.7	1.0	10.5	-	10.5
Total	48.6	47.5	21.8	8.6	126.5	-	126.5

Notes 1 to 7 are set out on page 159.

Of the total remuneration paid to Senior Management, HK\$39.6 million (2016: HK\$32.7 million) has been charged to the SoC operation.

	Recurring Remuneration Items					Non-recurring Remuneration Items	
	Performance Bonus ²					Total Remuneration HK\$M	Other Payments HK\$M
	Base Compensation, Allowances & Benefits ¹ HK\$M	Annual Incentive HK\$M	Long-term Incentive HK\$M	Provident Fund Contribution HK\$M	Total HK\$M		
2016							
Chief Operating Officer	4.9	4.2	-	0.9	10.0	-	10.0
Group Director & Vice Chairman – CLP Power Hong Kong ³	4.1	4.7	-	0.8	9.6	-	9.6
Managing Director – CLP Power (Mr Paul Poon)	5.3	4.8	2.1	1.0	13.2	-	13.2
Managing Director – EnergyAustralia ^{6,8}	11.4	12.9	-	0.1	24.4	6.7	31.1
Managing Director – India ⁷	3.6	2.7	1.4	0.6	8.3	-	8.3
Managing Director – China	3.8	3.4	1.5	0.7	9.4	-	9.4
Group General Counsel & Chief Administrative Officer	4.7	4.3	1.9	0.9	11.8	-	11.8
Chief Corporate Development Officer	4.7	4.3	2.1	0.8	11.9	-	11.9
Chief Human Resources Officer	3.5	3.2	1.5	0.6	8.8	-	8.8
Total	46.0	44.5	10.5	6.4	107.4	6.7	114.1

Notes:

- Refer to Note 1 on Base Compensation, Allowances & Benefits on page 152.
- Refer to Note 2 on Performance Bonus on page 152. For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Remuneration Committee and members of the HR&RC.
- The annual incentives paid to Mrs Betty Yuen in 2017 and 2016 included additional discretionary annual incentives of HK\$1.0 million for 2016 and HK\$1.0 million for 2015 performance years respectively.
- Mr Paul Poon stepped down as Managing Director – CLP Power with effect from 1 June 2017 and his remuneration covered the period from 1 January to 31 May 2017. The annual incentive paid to Mr Paul Poon in 2017 included an additional discretionary annual incentive of HK\$1.0 million for 2016 performance.
- Mr Chiang Tung Keung was appointed as Managing Director – CLP Power to succeed Mr Paul Poon and became a member of Senior Management with effect from 1 June 2017. His remuneration covered the period from that date to 31 December 2017.
- 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 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 = 8.3 Rupees from 1 October 2015 to 30 September 2019. 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.
- Ms Catherine Tanna joined the Company on 1 July 2014. According to her employment contract, the sign-on award of HK\$14.0 million was paid in September 2016 to compensate her for income lost as a result of forfeiture of incentive awards with her previous employer on joining CLP. This payment was fully accrued under non-recurring remuneration items: 2014 HK\$2.6 million, 2015 HK\$4.7 million and final balancing payment of HK\$6.7 million in 2016.

The five highest paid individuals in the Group included two Directors (2016: two Directors) and three members of Senior Management (2016: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2017 HK\$M	2016 HK\$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	37.8	36.8
Performance Bonus ²		
– Annual Incentive	36.3	36.0
– Long-term Incentive	17.8	7.3
Provident Fund Contribution	5.8	4.7
Non-recurring Remuneration Item		
Other Payments	–	6.7
	97.7	91.5

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 152.

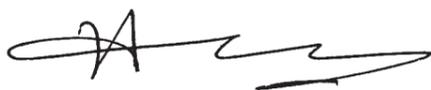
2 Refer to Note 2 on Performance Bonus on page 152.

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

	Number of Individuals	
	2017	2016
HK\$11,500,001 – HK\$12,000,000	–	1
HK\$13,000,001 – HK\$13,500,000	2	1
HK\$13,500,001 – HK\$14,000,000	–	1
HK\$16,500,001 – HK\$17,000,000	1	–
HK\$21,000,001 – HK\$21,500,000	–	1
HK\$24,500,001 – HK\$25,000,000	1	–
HK\$30,000,001 – HK\$30,500,000	1	–
HK\$31,000,001 – HK\$31,500,000	–	1

Continued Scrutiny and Disclosure

The HR&RC remains committed to the careful oversight of remuneration policies and levels in the interests of the Company and its shareholders, and to honest and open disclosure on these matters.



Vincent Cheng

Chairman, Human Resources & Remuneration Committee

Hong Kong, 26 February 2018

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2017.

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 32 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 11 and 12 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\$1.77 (2016: HK\$1.71) per share totalling HK\$4,472 million (2016: HK\$4,320 million) during the year.

The Directors declared the fourth interim dividend of HK\$1.14 (2016: HK\$1.09) per share totalling HK\$2,880 million (2016: HK\$2,754 million).

This fourth interim dividend will be paid on 22 March 2018.

Business Review and Performance

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, are provided in the Financial Highlights on page 3, CEO's Strategic Review on page 17, Financial Review on page 28, the Business Performance and Outlook section on page 36 and Financial Capital on page 68. Description of the principal risks and uncertainties facing the Group can be found throughout this

Annual Report, particularly in the Risk Management Report on page 127. Particulars of important events affecting the Group that have occurred since the end of the financial year 2017, if applicable, can also be found in the above-mentioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed throughout this Annual Report including in the Chairman's Statement on page 14, the CEO's Strategic Review on page 17 and the Business Performance and Outlook section on page 36. An account of the Group's relationships with its key stakeholders is included in the Capitals section on page 66.

In addition, more 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, are provided in this Annual Report in the Capitals section on page 66, the Governance section on page 94 and the Five-year Summary: CLP Group Statistics – Environmental and Social on pages 266 and 267.

These discussions form part of this Directors' Report.

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\$27,944 million as at 31 December 2017 (2016: HK\$28,340 million).

Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2017 amounted to HK\$57,341 million (2016: HK\$51,646 million). Particulars of borrowings are set out in Note 20 to the Financial Statements and on pages 68 and 71 of the Financial Capital.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 0.3% of the Group's total assets as at 31 December 2017.

Equity-linked Agreements

For the year ended 31 December 2017, the Company has not entered into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK\$14,465,000 (2016: HK\$12,645,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2017 and for the previous four financial years are on pages 264 and 265. 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 page 101. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 146.

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 together accounted for 50.65% of the Group's total purchases during the year and a breakdown of the purchases from each of the five largest suppliers are set out below in descending order:

1. 20.39% from Australian Energy Market Operator (AEMO) in which the Group has no economic interest. AEMO is the administrator and operator of the Australian energy market, from whom electricity is bought to supply EnergyAustralia group customers and to whom electricity is sold from EnergyAustralia group generators (as market participants, EnergyAustralia group entities are members of AEMO but do not hold any economic interest in AEMO).

2. 10.05% from Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) which is 25% owned by the Group. GNPJVC owns Guangdong Daya Bay Nuclear Power Station (GNPS), and CLP Power Hong Kong, a wholly-owned subsidiary of the Company and the largest electricity supplier in Hong Kong, purchases approximately 80% of GNPS's output for supply of electricity to its customers in Hong Kong.
3. 8.73% from PetroChina International Guangdong Co., Ltd. (PCIGD) in which the Group has no interest. CAPCO purchases natural gas from PCIGD for its electricity generation.
4. 8.41% from Ausgrid in which the Group has no interest. EnergyAustralia pays the distribution charges to Ausgrid which owns and operates the electricity distribution network that provides services to customers located in Sydney, the Central Coast and Hunter regions of NSW.
5. 3.07% from Coal India Limited (CIL) in which the Group has no interest. CIL is the single largest coal producer in the world and is an Indian state-owned coal mining corporate which supplies coal to our Jhajar Power Station.

As at 31 December 2017, none of the Directors 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.

Directors

The Directors of the Company as at the date of this Report, whose names appear on pages 96 to 99, were Directors for the whole year ended 31 December 2017. Their biographical details as at the date of this Report are set out on the same pages. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 146.

Under the Company's Articles of Association, all the Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 119 of the Company's Articles of Association, The Hon Sir Michael Kadoorie, Mr Andrew Brandler, Mr Nicholas C. Allen, Mrs Fanny Law and Ms Irene Lee will retire by rotation at the 2018 AGM.

Ms Irene Lee, who has been an Independent Non-executive Director of the Company since 2012, has decided to retire as a Director of the Company in May 2018 as she would like to devote more time to her other business commitments and engagements. Ms Lee has informed the Company that she will not be seeking re-election at the 2018 AGM and will therefore retire at the conclusion of the 2018 AGM.

All the other retiring Directors, being eligible, offer themselves for re-election. None of the Directors offering themselves for re-election at the 2018 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 2017, 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 Directors

During the year ended 31 December 2017 and up to the date of this Report, Mr Andrew Brandler is alternate to Mr William Mocatta.

Directors of Subsidiaries

The [names of all directors who have served on the boards of the subsidiaries of the Company](#) during the year ended 31 December 2017 or during the period from 1 January 2018 to the date of this Report are available on the CLP website. 

Permitted Indemnity Provisions

During the financial year and up to the date of this Report, 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 directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

Continuing Connected Transactions

China Southern Power Grid International (HK) Co., Limited (CSG HK) (effectively China Southern Power Grid Co., Ltd. and its subsidiaries (collectively the CSG Group)) is a connected person of CLP Holdings (at the subsidiary level) by virtue of CSG HK being a substantial shareholder of CAPCO, a subsidiary of CLP Holdings. Accordingly, transactions entered into between members of the CSG Group and members of the CLP Group constitute connected transactions for CLP Holdings under Chapter 14A of the Listing Rules.

Under the Listing Rules, the Group's continuing connected transactions with the CSG Group (CCTs) relating to the power purchases by the CSG Group are required to be subject to an annual aggregate cap determined by the Company, and for 2017, this was HK\$4,478 million. The annual aggregate cap was approved by the Board of Directors and disclosed in the announcement dated 3 January 2017. The project level caps of the CCTs for 2017 set out in the table on pages 164 to 173 are for reference only and were used to derive the annual aggregate cap of HK\$4,478 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 table on pages 164 to 173. The considerations for 2017 represented the actual transaction values of the relevant CCTs in the full twelve months of 2017.

	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 2017 HK\$M
1.	CLP Power Hong Kong electricity sales to Mainland China					
1.1	Power Sales Contract Original arrangement entered into on 10 February 2012 and extended by way of supplemental agreements. The immediate preceding term was from 1 January to 31 December 2017. On 13 December 2017, a supplemental agreement was entered into to further extend the term to 31 December 2018.	CLP Power Hong Kong	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (CSG-GPG) Guangdong Power Grid Materials Company Limited, as payment agent of CSG-GPG	CLP Power Hong Kong sells electricity to CSG-GPG.	Payment is based on the number of GWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account available market information and the relevant cost.	163.47
1.2	Energy Economy Interchange Agreement Original agreement entered into on 25 December 2015 for a two year period to 24 December 2017 and the term was extended to 24 December 2018 by entering into an extension agreement on 9 October 2017.	CLP Power Hong Kong	CSG-GPG	Economic interchange of electricity from, on the one side, CLP Power Hong Kong to CSG-GPG and, on the other, from CSG-GPG to CLP Power Hong Kong, depending on which party is affected by an emergency incident resulting in interruption of normal electricity supply to its customers.	As in item 1.1 above	-
	Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China <i>(Project level cap for 2017 was HK\$376.00 million)</i>					163.47
2.	The Huaiji hydro project					
2.1	Zelian Hydro Station power purchase agreement (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 2018.	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.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the Guangdong Provincial Price Bureau. This tariff is published at Guangdong Provincial Price Bureau Document YueJia [2013] No. 177 and is updated from time to time. The above pricing also applies to items 2.2-2.7.	1.74
2.2	Longzhongtan 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 2018.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	2.70
2.3	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 2018.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	1.88
2.4	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 2018.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	7.74

	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 2017 HK\$M
2.5	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 2018.	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	32.79
2.6	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 2018.	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	151.15
2.7	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 2018.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	26.31
Aggregated total consideration for the Huaiji hydro project (Project level cap for 2017 was HK\$312.71 million)						224.31
3.	The Yang_er hydro project					
3.1	Yang_er Hydro Project PPA Agreement entered into on 14 October 2016 for a one year period from 1 January to 31 December 2016 with automatic renewal for a one year period to 31 December 2017 (see Note 1).	Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company (CLP Dali Yang_er)	Yunnan Power Grid Company Limited, a subsidiary of CSG (CSG-YPG)	CLP Dali Yang_er sells electricity to CSG-YPG.	See Note 1	3.29
3.2	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three year period from 10 May 2016 to 9 May 2019.	CLP Dali Yang_er	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG (CSG Yangbi)	CSG Yangbi supplies electricity to CLP Dali Yang_er for use by the facilities at the main dam.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan Provincial Development and Reform Commission (Yunnan PDRC). This tariff is updated from time to time.	0.01

	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 2017 HK\$M
3.3	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three year period from 10 May 2016 to 9 May 2019.	CLP Dali Yang_er	CSG Yangbi	CSG Yangbi supplies electricity (10kV) to CLP Dali Yang_er during overhaul related outages.	As in item 3.2 above	0.01
3.4	Yang_er Hydro Project High Voltage Electricity Supply Contract Continuingly valid since 4 November 2009 (being the date of the agreement).	CLP Dali Yang_er	Dali Power Bureau of CSG-YPG, a subsidiary of CSG (CSG-DPB)	CSG-DPB supplies electricity (110kV) to CLP Dali Yang_er during overhaul related outages.	As in item 3.2 above	-
Aggregated total consideration for the Yang_er hydro project (Project level cap for 2017 was HK\$37.81 million)						3.31
4.	The Fangchenggang coal-fired project (Phases I and II)					
4.1	Fangchenggang Coal-fired Project PPA Agreement entered into on 30 December 2016 for a one year period from 1 January to 31 December 2017 with automatic renewal by continued performance.	CLP Guangxi Fangchenggang Power Company Limited, a majority-owned joint venture of the Company (CLP-FCG)	Guangxi Power Grid Company Limited, a subsidiary of CSG (CSG Guangxi)	CLP-FCG sells electricity to CSG Guangxi.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the Guangxi Price Bureau. This tariff is published at Guangxi Price Bureau Document GuiJiaGe [2017] No. 34 and is updated from time to time.	109.54
4.2	Fangchenggang High Voltage Electricity Supply Contract Agreement entered into on 27 September 2015 for a two year period with automatic renewals for successive two year periods. The latest renewal was for another two year period to 26 September 2019.	CLP-FCG	Fangchenggang Power Bureau of CSG Guangxi, a subsidiary of CSG (CSG-FPB)	CSG-FPB supplies standby electricity to CLP-FCG.	As in item 4.1 above	3.46
4.3	Fangchenggang High Voltage Electricity Supply Contract Continuingly valid since 1 June 2009 (being the date of the agreement).	CLP-FCG	CSG-FPB	CSG-FPB supplies standby electricity to the water pumping facilities of CLP-FCG.	As in item 4.1 above	-
4.4	Fangchenggang Direct Sales Agreement New agreement entered into on 15 August 2017 for the period from 1 July to 31 December 2017.	CLP-FCG	Guangxi Nengyuan Lianhe Power Retail Co., Ltd., a subsidiary of CSG (CSG Nengyuan)	CLP-FCG sells electricity to CSG Nengyuan, as purchaser, under a direct sales agreement.	The applicable tariff was determined and negotiated on an arm's length basis with reference to prevailing tariffs at the material time.	16.82
Aggregated total consideration for the Fangchenggang coal-fired project (Phases I and II) (Project level cap for 2017 was HK\$2,392.93 million)						129.82

	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 2017 HK\$M
5.	The Xicun solar project (Phases I and II)					
5.1	Xicun Solar Project PPA Agreement entered into on 14 October 2016 for a one year period from 1 January to 31 December 2016 with automatic renewals for successive one year periods. The latest renewal was for another one year period to 31 December 2018.	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company (CLP Xicun)	CSG-YPG	CLP Xicun sells electricity to CSG-YPG.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the National Development and Reform Commission (NDRC) and subject to adjustment in accordance with the Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan Provincial Industry and Information Technology Commission, Yunnan PDRC and Yunnan Provincial Energy Administration in 2017 and is updated from time to time.	75.20
5.2	Xicun Solar Project Electricity Supply Contract (10kV) Agreement entered into on 11 December 2014 for a three year period with automatic renewals for successive three year periods. The latest renewal was for another three year period to 10 December 2020.	CLP Xicun	Binchuan Electricity Supply Company Limited, a subsidiary of CSG (CSG Binchuan)	CSG Binchuan supplies electricity to CLP Xicun (for power consumption at the project site).	As in item 3.2 above	0.01
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three year period from 25 January 2016 to 24 January 2019.	CLP Xicun	CSG-DPB	CSG-DPB supplies electricity to CLP Xicun (for power consumption at the project site including auxiliary power and power supply during outage and overhaul).	As in item 3.2 above	0.39
5.4	Xicun Solar Project High Voltage Power Supply Contract (for pump station) Agreement entered into on 31 July 2015 for a three year period to 30 July 2018.	CLP Xicun	CSG Binchuan	CSG Binchuan supplies electricity to CLP Xicun (for watering facilities).	Payment is based on the number of kWh sold multiplied by the agricultural tariff for agricultural users determined by the Yunnan PDRC. This tariff is updated from time to time.	0.02
	Aggregated total consideration for the Xicun solar project (Phases I and II) <i>(Project level cap for 2017 was HK\$153.19 million)</i>					75.62
6.	The 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 2018.	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company (CLP Xundian)	CSG-YPG	CLP Xundian sells electricity to CSG-YPG.	As in item 5.1 above	29.12

	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 2017 HK\$M
6.2	Xundian Wind Project Electricity Supply Contract (see Note 2) Agreement entered into on 30 November 2015 for a three year period to 29 November 2018.	CLP Xundian	Kunming Power Bureau of CSG-YPG, a subsidiary of CSG (CSG-KPB)	CSG-KPB supplies electricity via a 110kV line to CLP Xundian (for start up purposes).	As in item 3.2 above	0.07
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) (see Note 3) New agreement entered into on 19 September 2017 for a three year period to 18 September 2020.	CLP Xundian	Xundian Power Supply Company Limited, a subsidiary of CSG (CSG-XPSC)	CSG-XPSC supplies electricity to CLP Xundian for use by the facilities in the plant.	Payment is based on the number of kWh sold multiplied by the commercial and industrial use tariff determined by the Yunnan PDRC. This tariff is updated from time to time.	-
Aggregated total consideration for the Xundian wind project (Project level cap for 2017 was HK\$85.45 million)						29.19
7.	The Sandu wind project					
7.1	Sandu I Wind Project Electricity Supply Contract (220kV) Agreement entered into on 8 December 2015 for a three year period to 7 December 2018.	CLP (Sandu) Renewable Energy Limited, a wholly-owned subsidiary of the Company (CLP Sandu)	Sandu Power Bureau, a subsidiary of CSG (CSG-SPB)	CSG-SPB supplies electricity to CLP Sandu (for power consumption at the project site).	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Guizhou Provincial Development and Reform Commission. This tariff is updated from time to time.	0.19
7.2	Sandu I Wind Project Interim PPA Agreement entered into on 31 March 2016 with the term commencing from 31 March 2016 until the signing of a formal PPA.	CLP Sandu	Guizhou Power Grid Company Limited, a subsidiary of CSG (CSG Guizhou)	A temporary arrangement for CLP Sandu to sell electricity to CSG Guizhou.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the NDRC. The tariff is published at the NDRC Document FaGaiJiaGe [2014] No. 3008 and is updated from time to time.	143.90
Aggregated total consideration for the Sandu wind project (Project level cap for 2017 was HK\$158.41 million)						144.09
Total Consideration for 2017						769.81

Notes:

- The Yang_er Hydro Project PPA was renewed for a one year period for 2017 for electricity sales by CLP Dali Yang_er to CSG-YPG based on the state pre-determined tariff determined by the Yunnan PDRC and subject to adjustment in accordance with the then Yunnan Implementation Scheme Document. Commencing from February 2017, as part of China's power sector reform, electricity sales by CLP Dali Yang_er have been carried out entirely through market sales transactions which do not constitute CCTs for the Company. This agreement is therefore no longer considered as a CCT in 2018.
- In connection with the Xundian Wind Project Electricity Supply Contract (ESC), an electricity charging and payment agreement was entered into on 26 October 2016 between CLP Xundian and CSG-KPB for the implementation of pre-payment arrangement which will have no effect on the ultimate transaction value of the ESC.
- The agreement replaced the previous agreement which was known as the Xundian Wind Project Electricity Supply Contract (Interim) that was entered into on 27 October 2015 and was disclosed in the Company's announcement dated 3 January 2017.

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:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better for CLP; and
- 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 external 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 "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 they have not been approved by the Board of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that they 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 29 to the Financial Statements. None 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 2017, 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 2017 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	480,672,780	19.02562
Mr William Mocatta	Note 2	400,000	0.01583
Mr J. A. H. Leigh	Note 3	218,796,853	8.66025
Mr Andrew Brandler	Note 4	10,600	0.00042
Dr Y. B. Lee	Note 5	15,806	0.00063
Mr Nicholas C. Allen	Note 6	27,000	0.00107
Mrs Fanny Law	Personal	16,800	0.00066
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 480,672,780 shares in the Company. These shares were held in the following capacity:
 - a 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.
 - b 70,146,655 shares were ultimately held by discretionary trusts, of which The Hon Sir Michael Kadoorie is one of the discretionary objects.
 - c 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.
 - d 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - e 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - f 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.

For the purpose of the Securities and Futures Ordinance, the spouse of The Hon Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in 1b to 1f above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 480,672,780 shares in the Company representing approximately 19.03% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 480,671,537 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 480,671,537 shares attributed to her for disclosure purposes.
- 2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 400,000 shares in the Company. These shares were held in the following capacity:
 - a 250,000 shares were held in the capacity as the founder of a discretionary trust.
 - b 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.
- 3 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 218,796,853 shares in the Company. These shares were held in the following capacity:
 - a 145,000 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.
- 4 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.
- 5 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.
- 6 27,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Mr Vernon Moore, Sir Rod Eddington, Mr Vincent Cheng, Ms Irene Lee, Mrs Zia Mody and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2017.

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 2017.

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 2017.

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 2017, 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 2017:

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	311,153,954 Note 1	12.32
Guardian Limited	Beneficiary / Interest of controlled corporation	218,651,853 Note 7	8.65
Harneys Trustees Limited	Interest of controlled corporation	410,524,882 Note 3	16.25
Lawrencium Holdings Limited	Beneficiary	170,180,670 Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212 Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212 Note 2	9.22
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	410,524,882 Note 2	16.25
Oak CLP Limited	Beneficiary	218,651,853 Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853 Note 1	8.65
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporations	233,371,475 Note 4	9.24
The Hon Sir Michael Kadoorie	Note 5	480,672,780 Note 5	19.03
Mr J. A. H. Leigh	Notes 6 & 7	218,796,853 Notes 6 & 7	8.66
Mr R. Parsons	Trustee	218,651,853 Note 7	8.65

Notes:

- 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. The interests of Bermuda 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 discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".
- 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 a founder as disclosed in "Interests of Directors and Chief Executive Officer".
- Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and was therefore deemed to be interested in the shares in which such company was deemed to be interested.
- The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP 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.
- See Note 1 under "Interests of Directors and Chief Executive Officer".
- See Note 3 under "Interests of Directors and Chief Executive Officer".
- Mr R. Parsons and Mr J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 218,651,853 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.

As at 31 December 2017, 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 2017, 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 2017, 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.

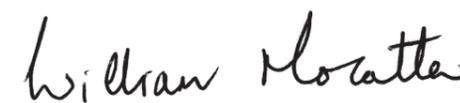
Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on page 102 of this Annual Report, while our [Sustainability Report](#) available online describes the Company's actions and initiatives with particular emphasis on the social and environmental aspects of our activities. 

Auditor

The Financial Statements for the year have been audited by PwC who will retire and, being eligible, offer themselves for reappointment, at the AGM of the Company.

On behalf of the Board



William Mocatta

Vice Chairman

Hong Kong, 26 February 2018