

## **CLP Corporate Governance in a Nutshell – 20 Best Principles & Practices**

### Values

1. Establish a culture of honesty and integrity – take a conscious decision to do the right thing as a company and communicate this to all our stakeholders, internal and external.
2. Conduct business in an honest and responsible manner – whatever the business and wherever it is carried on.
3. Establish and implement the mechanisms necessary to measure and enforce compliance with ethical standards, including a Code of Conduct, and apply those fairly and equally to all Directors, Management and Staff.
4. Recognise that corporate governance is not just a question of technical and regulatory compliance, but involves management of key relationships between CLP and all those stakeholders interested in the proper conduct of the Company's affairs.

### Shareholders' Rights

5. Our Board and Senior Management recognise their responsibilities to represent the interests of our shareholders and to enhance shareholder value.
6. Respect the rights of our shareholders and facilitate the effective exercise of those rights.

### Board Oversight

7. Our Board should be of an effective composition, size and commitment to facilitate the making of informed and critical decisions.
8. Our Directors, collectively and individually, executive and non-executive, independent and non-independent are aware of their responsibilities to all shareholders for the conduct, business activities and development of the Company.
9. Promote timely and balanced disclosure of all material matters concerning the Company, with particular regard to the Company's continuous disclosure obligations.
10. Follow a formal, considered and transparent procedure for the appointment of Directors.

### Management and Staff

11. Implement the strategy and direction as determined by the Board. In doing so, Management and Staff apply business principles and ethics which are consistent with those expected by the Board, shareholders and other stakeholders.
12. Maintain a clear delegation of authority which is commensurate with assigned responsibility.

13. No individual should determine his or her own remuneration. The Company should ensure remuneration reflects 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 our shareholders.

#### Internal Control and Risk Management

14. Establish a sound system of risk management and internal control. This involves design and implementation of risk management and internal control systems to manage the Company's material business risks and disclose the effectiveness of the management of such risks.

#### External Auditors' Independence

15. Adopt practices to ensure that the independence of the audit work of the external auditors is safeguarded and to minimise any perception that such independence has been jeopardised in any way.

#### Reporting

16. Ensure effective systems of financial control and reporting are in place. Establish systems of similar quality for the measurement and reporting of non-financial information.
17. Present a clear, balanced and comprehensible assessment of the financial position and prospects of the Company so as to facilitate our shareholders and investors to make an informed assessment of the performance of the Company.
18. Maintain a structure to independently verify and safeguard the integrity of financial reporting, including a properly resourced internal audit function and the establishment of an Audit Committee with specific written terms of reference to review and monitor the completeness, accuracy and fairness of all financial statements.

#### Open Communication

19. Maintain a policy of open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided.
20. Pay due regard to the impact of business decisions (including their environmental impact) not only to our shareholders, but also to other key stakeholders. This requires open and effective communication on such matters and the promotion of a two-way dialogue with shareholders and stakeholders.