

CLP Holdings Limited Board Diversity Policy

1. Purpose

- 1.1 This Policy aims to set out the principles of CLP Holdings to maintain a Board with a diversity of directors.

2. Background

- 2.1 CLP Holdings has had a longstanding policy of diversity in board appointments as reflected in the current composition of the Board.
- 2.2 This Policy therefore seeks to record, more formally, the Company's policy on board diversity and to recognise the terms of Hong Kong Stock Exchange Corporate Governance Code and with reference to the Guidance for Boards and Directors.
- 2.3 CLP's Value Framework emphasises our respect for people and diversity. Our policy on board diversity is just one example of the wider application of our Value Framework.

3. Principles

- 3.1 We believe that board diversity enhances decision-making capability and a diverse board is more effective in dealing with organisational changes and less likely to suffer from group thinking.
- 3.2 We recognise that board diversity is an essential element contributing to the sustainable development of the Company.
- 3.3 In applying this Policy we recognise that directors are appointed by shareholders, not the Board or the Company. The right to appoint directors is one of the most important rights exercisable by shareholders and is not sought to be fettered by this Policy. Merit and competence to serve the Board and hence shareholders remain the first priority.
- 3.4 The objectives of this Policy are, with the support of our shareholders, to have a Board which
- a) is characterized by a broad range of views arising from different experiences when discussing business;
 - b) facilitates the making of informed and critical decisions; and
 - c) has sustainable development as its core value,

and thus promotes the interests of all our stakeholders, particularly the long term interests of our shareholders, fairly and effectively.

4. Scope

4.1 For the purpose of this Policy, CLP considers that the concept of diversity incorporates a number of different aspects, such as professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service.

4.1.1 Independence

The Board includes a balanced composition of Executive, Non-executive Directors and Independent Non-executive Directors so that there is a strong element of independence in the Board. The Independent Non-executive Directors shall be of sufficient calibre and stature for their views to carry weight. In so far as the independence of each of the Directors is concerned, this is a question of fact and the Board is committed to assessing this on an ongoing basis with regard to all relevant factors concerned and not just limited to where a Director whose length of service exceeds nine years.

4.1.2 Gender

CLP is committed to maintaining an environment of respect for people regardless of their gender in all business dealings and achieving a workplace environment free of harassment or discrimination on the basis of gender, physical or mental state, race, nationality, religion, age, family status or sexual orientation, or any other attribute recognised by the laws of the country in which CLP operates. The same principle is applied to the selection of potential candidates for appointment to the Board. As at 1 December 2018, 20% of Board are women. As the representation of women in senior roles throughout the economy continues to grow and the pool of qualified women expands, we would expect to see the proportion of women on our Board increase over time.

4.1.3 Nationality and ethnicity

To cope with the diversified portfolio of CLP's businesses, CLP aspires to having a board of directors of different nationality or ethnic backgrounds who can contribute their knowledge and understanding of the environment in which CLP operates its business.

4.1.4 Skills and Experience

The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, legal and management backgrounds that taken together provide the Company with considerable experience in a range of activities including varied industries, education, government, banking, investment and the professions. Many of our Independent Non-executive Directors possess professional accounting qualifications.

4.1.5 Age

A board comprised of directors with a range of ages and tenure on the CLP Board can enhance diversity and minimise succession risks. In support of that objective, Non-executive Directors (excluding the Chairman) will not be considered for re-election at an Annual General Meeting (“AGM”) of the Company if, as at the date of the relevant AGM, they will have reached the age of 72 years. This guideline would apply to all Non-executive Directors of CLP Holdings (both Non-executive and Independent Non-executive Directors) other than the Chairman of the CLP Holdings Board. The Board may from time to time determine to relax or waive this guideline in relation to any director whom the Board considers has skills, experience or capabilities that cannot be replaced at the relevant time. In such circumstances, the circular to shareholders regarding the proposed re-election of the director concerned will include an explanation detailing the Board’s consideration of the reasons for relaxing or waiving this guideline.

4.1.6 Board Size

The size of the Board can have a significant impact on board diversity. We will seek to address the aspects of diversity referred to in the preceding paragraphs without increasing the size of the Board. CLP recognises that a reduction in Board size due to retirements without replacement can also be a way to further diversity.

5. Measurable Objectives

- 5.1 The achievement of these objectives will be measurable on an objective review by shareholders of the overall composition of the Board, the diversity of background and experience of individual directors and the effectiveness of the Board in promoting shareholders’ interests.

6. Diversity and Development of Senior Management and Employees

- 6.1 Whilst this is formally a diversity policy at the Board level, we recognise the importance of the diversity throughout the CLP Group as a matter of corporate governance. In this policy, the Diversity and Inclusion Policy for Senior Management and Staff is hereby acknowledged and is fully set out as an Appendix to this Policy.
- 6.2 The Diversity and Inclusion Policy for Senior Management and Staff is formulated by Management as part of the Group’s Human Resources Policy.

7. Implementation

- 7.1 This Policy has been approved and adopted by the Board of the Company. The Nomination Committee has been delegated with the overall responsibility for implementation, monitoring and periodic review of this Policy.
- 7.2 In assessing potential candidates for the Board, the Nomination Committee will consider the diversity perspectives, as set out in section 4 above.

7.3 Notwithstanding the foregoing all appointments to the Board will be based on merit, having regard to the ability of candidates to complement and expand the skills, knowledge and experience of the Board as a whole, and having regard to the prevailing business strategy of the Company.

7.4 The effective implementation of this Policy requires that shareholders are able to judge for themselves whether the Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end we shall continue to provide sufficient information to shareholders about the qualifications, experience, characteristics etc. of each individual Board member and therefore, the Board as a whole, so that shareholders are aware of the composition of their Board, including diversity.

8. Publication and Revision

8.1 A summary of this Policy, together with the measurable objectives set for the implementation of this Policy will be included annually in the Corporate Governance Report. This Policy is also available on the CLP website.

8.2 Any revisions to the Policy as recommended by the Nomination Committee will be submitted to the Board for consideration and approval.

Adopted in August 2013

Updated in February 2019

Appendix

Diversity and Inclusion Policy for Senior Management and Staff

Diversity and Inclusion Policy for Senior Management and Staff

- Our Value Framework includes our commitment to a work environment free of harassment or discrimination on the basis of gender, physical or mental state, race, nationality, religion, age, family status or sexual orientation, or any other attribute recognised by the laws of the countries in which we operate.
- We recruit staff from both local and international sources in order to ensure that we access the widest possible pool of available talent. Our recruitment process is designed to be fair and non-discriminatory. In Hong Kong our process follows the EOC Code of Practice including the use of consistent selection criteria. Elsewhere in the group we comply with local legislation and codes of practice on recruitment.
- To ensure we recruit a diverse range of candidates we use a range of recruitment channels. When we use external recruitment firms to assist us with hiring staff we require these firms to operate consistently with our values and identify lists of diverse candidates for our consideration.
- A diverse management team with respect to background, experience and tenure helps to ensure a resilient, adaptable and sustainable organisation. Our annual succession planning review assesses the succession plans for Senior Management (including Executive Directors) and their direct reports. As part of this we measure the gender diversity of the succession pipeline. Senior Management succession plans are reported to the Human Resources & Remuneration Committee.
- We operate in a geographically, ethnically, socially and culturally diverse region and this is reflected in our diverse workforce. Consequently it is important that we are sensitive to and respect local cultural differences. The diversity and inclusion agenda in each of the countries we operate in reflects both group and locally specific priorities. Individual subsidiaries have the flexibility to address local diversity and inclusion priorities in their local social and cultural context, in a manner consistent with our common group-wide values on non-discrimination.
- The common and most significant diversity issue we face across the group is gender. Addressing gender diversity is essential to ensure a sustainable workforce in the face of demographic trends. It is also the right thing to do from a moral perspective, and has a social and economic impact beyond the workplace. Reflecting this we have set formal group-wide gender diversity targets, and report annually on our progress in meeting them in our Sustainability Report.

- Our commitment to non-discrimination applies equally to staff development and promotion decisions. We invest continually in management development programs for our staff to support their career development and prepare them for senior management positions. Staff are selected from across the group to attend group development programs based on non-discriminatory assessment of their performance and potential. A diverse pool of attendees benefits all participants. A range of HR initiatives have been implemented to support our gender diversity objectives, including management development programs designed specifically for high potential female employees.
- We encourage the international mobility of staff to broaden their perspectives and enhance cross-cultural awareness. Each year we second a number of staff from Hong Kong to our subsidiaries, and from our subsidiaries to Hong Kong.