

Strong principles and high standards of corporate governance are the bedrock of good management.



Corporate Governance section on CLP's website

The CLP Board and Senior Management are concerned to ensure that decisions are taken honestly, employing procedures which are open, promote integrity and include the necessary checks and balances. We firmly believe that our shareholders and, for that matter, all our stakeholders, demand and should receive excellence in corporate governance in all respects.

THE BOARD

The Board is charged with leading the CLP Group in a responsible and effective manner. Each director has a duty to act in good faith in the best interests of the Company. Duties of the Board include establishing the strategic direction of the CLP Group, setting the objectives of Management and monitoring the performance of Management. The Directors, collectively and individually, are aware of their responsibilities to the shareholders for the manner in which the affairs of the Company are managed and operated.

The Board oversees the management of CLP's relationships with representatives of government, customers, the community, interest groups and others who show an interest in the responsible conduct of the Group's business.

The Board has established written procedures determining which issues require a decision of the full Board and which can be delegated to Board Committees or Management. Matters reserved to the full Board for decision include any matters involving a

conflict of interest for a substantial shareholder or a Director, material acquisitions and disposals of assets, investments, capital projects, authority levels, treasury policies, risk management policies and key human resources issues.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. These include obligations on Directors relating to disclosure of interests in securities, disclosure of any conflict of interest in a transaction involving the CLP Group, prohibitions on dealing in securities and restrictions on disclosure of price-sensitive information.

The full Board meets in person at least once every three months and specially when a board decision is required on major issues.

The full Board met six times in 2001. Directors' attendance was as follows:

Non-executive Directors	No. of Board Meetings Attended
The Hon. Michael D. Kadoorie	5
Mr. W. E. Mocatta	6
Mr. J. S. Dickson Leach	4
Mr. R. J. McAulay	3
Mr. V. F. Moore	5
Mr. J. A. H. Leigh	4
Mr. R. Bischof	6
Mr. S. F. Goldman	4
Mr. I. D. Boyce	6
Independent Non-executive Directors	
The Hon. Sir S. Y. Chung	4
Mr. William K. Fung	3
Mr. Hansen C. H. Loh	6
Mr. Paul M. L. Kan (appointed on 7 September 2001)	2 (out of 2 meetings)
Executive Directors	
Mr. Andrew Brandler	6
Mr. Peter P. W. Tse	4
Mr. Peter W. Greenwood (appointed on 7 September 2001)	2 (out of 2 meetings)
Mr. Michael Price (appointed on 7 September 2001)	1 (out of 2 meetings)

All Directors (with the exception of the Group Managing Director and three Executive Directors) are non-executive and independent of Management, thereby promoting critical review and control of the management process. The non-executive members of the Board bring a wide range of business and financial experience to the Board which is vital to the successful direction of the Group. The Board includes influential and active

independent non-executive directors and to whom any shareholder concerns can be conveyed. This helps ensure that the interests of all shareholders are taken into account by the Board.

The appointment of a new Director is a matter for consideration and decision by the full Board. New Directors are expected to have such expertise to qualify them to make a positive contribution to

the performance by the Board of its duties and to give sufficient time and attention to the affairs of CLP Holdings.

CLP Holdings has a policy of requiring one-third of the non-executive Directors to retire by rotation and submit themselves for re-election by shareholders at each Annual General Meeting (AGM). The Group Managing Director and the Executive Directors are not subject to retirement by rotation whilst holding office, but are subject to election by shareholders at the AGM in their first year of appointment.

BOARD COMMITTEES

The Board has appointed a number of Board Committees. Management and third parties are co-opted to the Committees as required. Full terms of reference of these Committees are set out on our website.

Audit Committee

The Audit Committee was established in 1981. It has a majority of its members appointed from the Independent Non-executive Directors. It meets every six months to review the completeness, accuracy and fairness of the financial statements of the Company and to consider the nature and scope of internal and external audit reviews as well as the effectiveness of the systems of internal control. Special meetings may be called at the discretion of the Chairman or the request of

Senior Management to review significant control or financial issues. The Audit Committee scrutinises the nature and extent of any non-audit work undertaken by the Company’s auditors (disclosed in page 53 of this Annual Report). Internal control systems have been designed to allow the Board to monitor the Group’s overall financial position and to protect its assets. The purpose is to assure against material financial misstatement or loss. The Directors are responsible for these systems, and appropriate authorities and guidelines are in place. The Audit Committee Chairman also gives an annual report to the Board covering the Committee’s activities for the year and highlighting any significant issues.

Finance and General Committee

The Finance and General Committee meets as and when required to review the financial operations of the Company. Such reviews include group-wide

financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets. The Committee also reviews major acquisitions of or investments in companies, businesses or projects, and their funding requirements. The Finance and General Committee met four times in 2001.

Human Resources & Remuneration Committee

The Human Resources & Remuneration Committee meets as and when required to consider and review human resources policies, particularly those governing the terms and conditions of service of Group employees, remuneration (including that of Executive Directors and Senior Management), retirement benefits, management development and succession plans. In line with good practice in such matters, there are no executive members on this Committee. Two meetings of the Human Resources & Remuneration Committee were held in 2001.

Public Affairs Committee

The Public Affairs Committee oversees the development and implementation of public relations programmes with a view to improving the public image and the general understanding by the public of the CLP Group. Three meetings of the Public Affairs Committee took place during 2001.

Provident & Retirement Fund Committee

The Provident & Retirement Fund Committee advises the Trustees on investment policy and objectives for the Group’s retirement funds. The Committee meets regularly to review the position of the funds, to monitor the performance of the investment managers, and to consider and make recommendations to the Trustees on the appointment and removal of investment managers and on the investment of available funds outside the portfolios of the investment managers. The Provident & Retirement Fund Committee met four times in 2001.

ANNUAL GENERAL MEETING

The AGM provides an important opportunity for communication between the Board and the Company’s shareholders. The Company regards the AGM as an important event in the corporate year and all Directors and senior executives make a special effort to attend. The Chairman of the Audit Committee will usually attend the AGM and answer questions. Active participation by shareholders at the AGM is welcome.

The Audit Committee met twice in 2001. Members’ attendance was as follows:	
	No. of Committee Meetings Attended
Mr. V. F. Moore	2
Mr. J. S. Dickson Leach (resigned on 1 March 2001)	1 (out of 1 meeting)
The Hon. Sir S. Y. Chung	2
Mr. William K. Fung (resigned on 1 March 2001)	0 (out of 1 meeting)
Mr. Hansen C. H. Loh	2
Note: Mr. Paul M. L. Kan, Independent Non-executive Director, was appointed to the Audit Committee on 1 January 2002.	



REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors are paid fees in line with market practice based on a formal independent review undertaken no less frequently than every three years. The levels of remuneration for Non-executive Directors have remained unchanged since 1995.

The Company does not have any share option scheme. The remuneration structure of Executive Directors and Senior Management is determined by the Human Resources & Remuneration Committee of the Board.

Further details are set out in the Notes to the Accounts.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SPECIFIED INDIVIDUALS

CLP Holdings has its own Code for Securities Transactions by Directors and Specified Individuals pursuant to the Stock Exchange's Model

Code for Securities Transactions contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules).

CODE OF BEST PRACTICE

The Company has also adopted practices which meet and, in many instances, exceed the provisions of the Code of Best Practice contained in Appendix 14 of the Listing Rules.

CODE OF CONDUCT

To promote the highest standard of integrity in the conduct of the Group's business, we have adopted a Code of Conduct which sets out CLP's policies on business ethics, occupational health and safety, environmental issues, and our responsibilities to shareholders and other stakeholders. The Code applies to all employees and Directors. Training is given to all staff to foster understanding of the Code. All employees above a designated level are required to sign annual statements confirming compliance with key policies.

INTERNAL AUDIT

The CLP Group Internal Audit Department plays a major role in monitoring the internal governance of the Group. Key tasks of the Department include:

- Unrestricted access to review all aspects of the CLP Group's activities and internal controls;
- Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries on a regular basis;
- Conduct of special reviews and/or investigations and reports, both on a regular and as-needed basis;
- Liaison with the Independent Commission Against Corruption in Hong Kong, particularly with a view to incorporating preventive measures and reducing potential malpractice; and
- Maintaining the Code of Conduct on an evergreen basis and assuring that effective training is periodically conducted.

The Group Internal Auditor reports directly to the Group Managing Director and has direct access to the Board through the Chairman of the Audit Committee. The Group Internal Auditor also has the right to consult the Committee without reference to Management.

During the past financial year, the Internal Audit Department issued reports to Senior Management covering various operational and financial units of the Group, including several joint venture activities outside Hong Kong. Internal Audit also conducted reviews of major new computer systems and e-commerce activities, as well as areas of concern identified by Management.

The annual audit plan, which is reviewed by the Audit Committee, is based on a risk methodology process which assists in determining business risks and establishing audit frequencies. Concerns which have been reported by Internal Audit are monitored quarterly by Management until appropriate corrective measures have been implemented.

OPEN COMMUNICATION

CLP has a policy of open communication and fair disclosure. Financial results are announced as early as possible and in any event within three months after the end of the financial year. CLP publishes its accounts within four months after the end of its financial year.

Financial reports are issued to shareholders on a quarterly basis to keep shareholders informed of the performance and operations of the Group.

The Internet provides an ideal medium to make information on the Group available, in addition to the more traditional methods of financial reports and press releases. The CLP website includes a “Corporate Governance” section, enabling our shareholders and other stakeholders to obtain information regarding:

- “Corporate Governance – CLP Principles & Practices”;
- CLP Fair Disclosure Policy;
- “Code of Conduct”;
- “Policy and Guidelines on the Provision of Gifts and Entertainment”;
- Memorandum and Articles of Association of CLP Holdings;
- Biographical data on Directors and Senior Management;
- Terms of reference of Board Committees as well as the frequency of meetings and Members’ attendance;
- Annual General Meeting proceedings;
- Top 10 shareholders of CLP Holdings;
- Analysts’ briefings; and
- Most frequently asked questions from analysts (regularly updated).

We recognise that not all shareholders and stakeholders have ready access to the Internet. For those who do not, hard copies of the website information listed

above are available upon request to the Company Secretary.

We are aware of a general market concern about the extent of disclosure by listed companies of unconsolidated business activities and liabilities. We have enhanced our disclosure of financial information about the Group’s jointly controlled entities and associated companies, details of which are set out in the Financial Review and the Notes to the Accounts.

STAKEHOLDERS

We support good corporate governance in companies in which we invest. We congratulate Electricity Generating Public Company, in which CLP holds a 22.44% interest, on receiving the 2001 Best Practices in Corporate Governance Award in Thailand.

Corporate governance traditionally focuses on the relationship between the Management, Board and shareholders of a company. However, CLP considers that good governance requires due regard to the impact of business decisions (including their environmental impact) on other key stakeholders, whose support for and participation in the Group’s business is important for our long-term success and viability.