

## Message from the Company Secretary

Over the years, we have seen corporate governance as a key asset in times of crisis and this view was further reinforced by our response to the challenges brought in 2020. CLP's commitment to good corporate governance practices enabled us to tackle, with conviction, many of the disruptions and changes brought about by COVID-19.

Crisis management preparation is a key element of good governance. In managing the challenges of COVID-19, we were able to draw on the experience and planning developed during the 2003 SARs crisis which had been refined and enhanced regularly over the years as part of our governance process. This enabled us to continue to deliver operational excellence for our customers right across the Group in 2020.

Sustainable business depends on a sustainable society and COVID-19 has driven home that point forcefully. Throughout the pandemic, CLP has maintained a focus on operational excellence, putting the safety and wellbeing of our own people and of the communities we serve at the heart of everything we do. The challenges of 2020 further emphasised the importance of a genuine focus on ESG and reinforced our long-term commitment to sustainable business practices.

Despite the disruptions caused by the pandemic, we continued with our ongoing efforts to gradually refresh our Board. In 2020, in line with the retirement age

guideline we established in 2019, Mr Vernon Moore and Mr Vincent Cheng, our Independent Non-executive Directors retired and Ms Christina Gaw and Mr Chunyuan Gu were appointed as new Independent Non-executive Directors to our Board with skills and experience that will guide our transition towards a Utility of the Future.

In 2019, we conducted the first Hybrid Annual General Meeting (AGM) in Hong Kong as a way to allow more shareholders to participate in this important opportunity to engage with our Board and Senior Management. While a relatively small proportion of shareholders attended online in 2019, this experience saw us well prepared to run our 2020 AGM with social distancing measures and our hybrid meeting format allowed the vast majority of participating shareholders to attend and vote online. For more details, please see "2020 At a Glance".

At CLP, we believe that good corporate governance is an enabler of long-term value creation and we are committed to continually reviewing and evolving our governance policies and practices to ensure that they continue to serve us well in a changing environment. 2020 brought a year of dramatic change and once again highlighted the importance of this approach.

**David Simmonds**  
Company Secretary

*CLP has been honoured to receive a number of awards for our Corporate Governance and Annual Report. In 2020, we are most humbled to have received the Hong Kong Institute of Certified Public Accountant's Outstanding Achievement Award as a special one-off award for outstanding performance over the past 20 years of the Institute's Best Corporate Governance Awards.*

*Commenting on these recognitions, we acknowledge the unique role that CLP has in Hong Kong and in the words of our Chairman The Hon Sir Michael Kadoorie, "it is a role that CLP plays conscientiously".*

### Value Framework – Refreshed

The CLP Value Framework has been a strong foundation for our Corporate Governance. It articulates multiple layers of our corporate identity and culture, namely: “Vision, Mission, Values, Commitments and Policies & Codes.”

#### Background:

The Value Framework was first introduced in 2003 and reflects time-honoured principles and commitments that have been integral to CLP’s success for 120 years.

Consistent with our approach of continuous review and improvement to our governance practice, in 2020, we made key changes to the Value Framework by fully integrating our Sustainability Principles in order to underscore the fundamental role of sustainability in our long-term development.

#### Other Key Changes:

- Integrating “Future Culture” into the Value Framework.
- Updating our Mission to “provide sustainable energy solutions”.
- Strengthening innovation values and commitments.

The Sustainability Committee considered and endorsed the refreshed Value Framework; for more details, please refer to the Sustainability Committee Report.

### Hybrid AGM

When COVID-19 hit Hong Kong in early 2020 and prior to the Government introducing the social distancing requirements for AGMs, we were able to draw from our experience in running a Hybrid AGM in 2019 to prepare for our 2020 AGM with social distancing measures in place.

#### What the Hybrid platform offered:

- Registered and non-registered shareholders were able to view the AGM live and to pose questions.
- Registered shareholders were able to vote online.
- The convenience of posing questions online.

#### Social distancing measures undertaken:

- A limit of 50 shareholders attending the AGM in person was imposed.
- As our AGMs have been well attended historically, we asked our shareholders to register their interest in attending as the 50 spaces were balloted in advance ensuring that the attendance on the day would be fair and orderly.

### Follow up to External Board Review Recommendations

We implemented the following recommendations from our 2019 external Board Review:

- Non-executive Director search for candidates who can add value on emerging strategic issues** – we were able to identify two candidates with strong experience in Mainland China and the Greater Bay Area and they were subsequently appointed as our new Independent Non-executive Directors.
- Further strengthening the Sustainability Committee’s role of overseeing the impact of longer-term sustainability issues on the Group’s strategy** – the Sustainability Committee held extended meetings with dedicated sessions on innovation and digitalisation, and another session on climate change that included a briefing from a leading external climate change expert.
- Reviewing the approach to the strategic talent agenda** – the Human Resources & Remuneration Committee has enhanced the oversight of strategic talent and succession planning with specific briefings on talent development at the organisational level and succession planning at the senior management level.
- Access to Board Committee Papers** – Directors can now access all Board Committee minutes.

### COVID-19 and a Challenging Risk Environment


COVID-19 brought about many challenges for CLP on the corporate governance front, these included COVID-19 related risks in the following areas:

- Completing the financial year-end closing process in early 2020 as COVID-19 hit Mainland China and Hong Kong.
- The convening of our 2020 AGM.

In addition to COVID-19, the risks that the CLP Group are faced with have become increasingly challenging and complex, these are some of the key risks that we have been actively monitoring in 2020:

- Board level** – the Board examined the risks associated with the acceleration of energy transition, and digital technologies, along with the impact of changing geo-political dynamics and the rise of more protectionist trade and investment policies; the Board also considered the potential opportunities that could be captured from these developments.
- Audit & Risk Committee** – this Committee closely monitored risk items that evolved rapidly during the course of the year, including geo-political related risks, regulatory risks, the bushfires in Australia and cybersecurity.
- Sustainability Committee** – this Committee had a dedicated session to gain a deeper understanding of the risks (and opportunities) relating to innovation, technology developments and the increasing adoption of digital technologies; and another dedicated session on climate change with a briefing by a leading expert on how the progress of CLP’s climate action was perceived.

## The CLP Code: Compliance and more




The [CLP Code on Corporate Governance](#) (CLP Code) is our own unique code and it is built on CLP's own standards and experience, whilst respecting the benchmarks set by The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange). The CLP Code is on our website and available on request. 

Our Code incorporates and goes beyond the principles of good corporate governance, and the two levels of recommendations in The Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) issued by the Hong Kong Stock Exchange. The only exception to this, however, concerns quarterly reporting, details of which are explained on page 122.

We have made **further enhancements to our corporate governance practices in 2020** and some of these are highlighted in **"2020 At a Glance"**.




### Areas in which our Code exceeds the Stock Exchange Code

#### Our Board

- The composition of the Board and the Audit & Risk Committee exceed the independence requirements under the Listing Rules.
- We conduct a regular evaluation of the Board and its Committees and a [summary](#) of the conclusions is published on the CLP website. 
- We issue a formal letter of appointment for Non-executive Directors. The [model letter](#) is on our website and deals with a range of matters regarding a Director's appointment and responsibilities including an expected level of time commitment. 
- We have a set of bespoke CLP Onboarding Guidelines for Directors with the key objective of assisting new Directors in their understanding of CLP's business, governance and Board and Committee dynamics. The [Guidelines](#) are available on the CLP website. 
- With the objective of minimising succession risk, the retirement age guideline in our Board Diversity Policy provides that where a Non-executive Director has reached the age of 72 at the time of the relevant AGM, such Director will not be considered for re-election, however, this may be waived if the Board considers such Director has skills, experience or capabilities that cannot be replaced at the relevant time. This applies to all Non-executive Directors other than the Chairman. In 2020, we appointed two new Independent Non-executive Directors, with two having retired.
- The number of Board meetings exceed the requirements under the Listing Rules. Each year, we hold five Board meetings and in addition, the Chairman holds a separate meeting with the Non-executive Directors only and another meeting with the Independent Non-executive Directors only.

#### Our disclosure

- Our Fair Disclosure Policy sets out the principles for the broad and non-exclusionary distribution of information to the public.
- Our Continuous Disclosure Obligation Procedures guide the organisation in monitoring and disclosing potential inside information.
- The Continuous Disclosure Committee conducts regular assessment of potential inside information.
- Our Risk Management Report sets out CLP's risk management framework and how CLP manages the Group's material risks.
- We disclose our Senior Management's CLP shareholding interests and their confirmation of compliance with the Model Code and CLP Code for Securities Transactions, in addition to similar disclosures by our Directors.
- Our disclosure of financial information on the CLP Group's joint ventures and associates are enhanced in various ways such as the inclusion of off-balance sheet contingent liabilities.

- We issue individual Board Committee reports in our Annual Report for the Audit & Risk Committee, Sustainability Committee, Nomination Committee and Human Resources & Remuneration Committee.
- We announce our financial results within two months after the end of the financial year. We publish our full [Annual Report](#) and our [Sustainability Report](#) on our website within the following fortnight; the Annual Report will also be sent to shareholders about two weeks after that.  
- We disclose on our website [minutes of our AGM](#); in addition, any questions or topics that are not specifically addressed at the AGM, full answers are provided and disclosed. 

### Our unique policies and practices

- CLP has established its own Corporate Governance Framework, the Value Framework and its own Code for Securities Transactions. Our Value Framework was refreshed in December 2020.
- We have formulated our own Anti-Fraud Policy (updated in June 2019) which stipulates our commitment to preventing, detecting and reporting fraud, bribery and extortion. In 2020, we carried out a group-wide anti-fraud online training for our staff (see “Management and Staff” on page 138).
- General Representation Letters are issued by our CEO and CFO to the Audit & Risk Committee as verification of compliance.
- We conduct a group-wide Business Practice Review for our staff on a periodic basis to foster employees’ understanding of our Code of Conduct (updated in May 2020) under CLP’s Value Framework. An important aspect of this is ensuring that our employees maintain a good understanding of CLP’s culture and values.
- Under our Value Framework, we also have a Responsible Procurement Policy Statement. This sets out our expectations of the suppliers and of their suppliers and subcontractors and we encourage them to follow the same standards of integrity and transparency in doing business with us.
- Our Audit & Risk Committee will regularly examine the audit activity reviews conducted by the Internal Auditors. The Internal Auditors will highlight the significant events and findings which require the Committee’s attention and further examination, where appropriate.
- Members of our Audit & Risk Committee will conduct a meeting as between Members only prior to the full Committee meeting attended by management and the auditors; two of which are joined by the independent auditor.
- For the Group’s continuing connected transactions (CCTs), we engaged the Company’s independent auditor, PwC to undertake an agreed-upon procedures (AUP) engagement on the Group’s CCTs pricing policies. The AUP findings were provided to the Independent Non-executive Directors as part of their consideration of the CCTs for the purposes of giving the required confirmation under Rule 14A.55 of the Listing Rules.

## Compliance with the Stock Exchange Code and the Environmental, Social and Governance (ESG) Reporting Guide

Throughout the year, the Company has met the Code Provisions and applied all the principles in the Stock Exchange Code. CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results.

### Our Considered Reasons for not Issuing Quarterly Financial Results

While CLP does issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities, we do not issue quarterly financial results for the following considered reasons:

- they do not bring significant benefits to our shareholders;
- they encourage a short-term view of the Company’s business performance;
- CLP’s activities do not run and need not be disclosed and judged on a three-month cycle; and
- preparation of quarterly reports is costly, including the opportunity cost of Board and management time spent on quarterly reporting.

## CLP's Approach to ESG Reporting

### Governance Structure

- ◉ The CLP Board has overall responsibility for CLP's ESG strategy and reporting. The Directors' Report includes a statement from the CLP Board on the governance of ESG issues and how CLP approaches and manages our material ESG issues (page 193).
- ◉ The governance of sustainability is integrated into our corporate governance structure throughout the Group. Set out below is CLP's Sustainability Governance Structure.




- ◉ As one of the Board Committees, the Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues and is supported by the Sustainability Executive Committee. The Audit & Risk Committee, meanwhile, retains oversight and responsibility for material risks and ensures the assurance of the sustainability data is appropriate.
- ◉ Further information about CLP's ESG management approach and strategy and how progress on ESG-related goals and targets are reviewed can be found in this Corporate Governance Report, the Risk Management Report, the Sustainability Committee Report and the Directors' Report of this Annual Report as well as in the [Sustainability Report](#) published at the same time as this Annual Report.

### Reporting Principles & Boundaries

- ◉ Materiality – materiality threshold provides guidance on what is sufficiently important to stakeholders that should be reported; the identified key material topics in 2019 were examined in 2020, and the key material topics were reaffirmed to remain valid, current and relevant to CLP in 2020. Full details on the materiality assessment is provided in our [Sustainability Report](#) and in “Board’s Statement on ESG” in the Directors' Report.
- ◉ Quantitative and Consistency – our ESG disclosures follow these guidelines and recommendations: the Hong Kong Stock Exchange's ESG Reporting Guide (ESG Reporting Guide); the integrated approach under the <IR> guidelines published by the International Integrated Reporting Council (IIRC); the Global Reporting Initiative Reporting Standards (GRI Standards); and the Taskforce for Climate-related Financial Disclosure (TCFD) recommendations. ESG KPIs are provided over a period of five years in the Five-year Summaries to facilitate comparison.
- ◉ Boundaries – as our business needs evolve, scenarios may arise where our previously defined reporting scope was not able to fully capture the material impacts of our overall portfolio, and to better reflect these impacts, selected reporting scopes will be adjusted in different aspects and these are explained fully in our [Sustainability Report](#).

ESG Information Disclosure in the 2020 Annual Report and Sustainability Report 

- Details on how we report on the ESG issues in accordance with the ESG Reporting Guide “comply or explain” requirements and related Listing Rules are set out below.
- We regard materiality as fundamental to our ESG reporting. Hence, as explained in our [Sustainability Report](#) and on page 123, our materiality assessment process enabled management to determine those material ESG topics to CLP. 
- The following is a list of CLP’s material ESG topics by reference to the aspects in the ESG Reporting Guide and the corresponding disclosures can be found in the following sections of this Annual Report:

Environmental	
A1. Emissions A3. The Environment and Natural Resources	A4. Climate Change
<ul style="list-style-type: none"> <li>A Snapshot of CLP in 2020 (page 4)</li> <li>Chairman’s Statement (page 14)</li> <li>CEO’s Strategic Review (page 18)</li> <li>Business Performance and Outlook (page 42)</li> <li>Capitals (page 74)</li> <li>Financials (page 210)</li> </ul>	<ul style="list-style-type: none"> <li>A Snapshot of CLP in 2020 (page 4)</li> <li>Chairman’s Statement (page 14)</li> <li>CEO’s Strategic Review (page 18)</li> <li>Business Performance and Outlook (page 42)</li> <li>Capitals (page 74)</li> <li>Governance (page 108)</li> <li>Financials (page 210)</li> </ul>

Social	
B1. Employment B3. Development and Training	B2. Health and Safety
<ul style="list-style-type: none"> <li>A Snapshot of CLP in 2020 (page 4)</li> <li>Capitals (page 74)</li> <li>Financials (page 210)</li> </ul>	<ul style="list-style-type: none"> <li>A Snapshot of CLP in 2020 (page 4)</li> <li>Chairman’s Statement (page 14)</li> <li>CEO’s Strategic Review (page 18)</li> <li>Business Performance and Outlook (page 42)</li> <li>Capitals (page 74)</li> <li>Financials (page 210)</li> </ul>

- From our materiality assessment process, there are various aspects that **we regard as less material** and we have not reported on these to the fullest extent as provided in the ESG Reporting Guide. We appreciate that **these aspects may be relevant to some of our stakeholders** and our discussion on these topics can be found in the following sections of this Annual Report:

Environmental		
A2. Use of Resources		
<ul style="list-style-type: none"> <li>A Snapshot of CLP in 2020 (page 4)</li> </ul>	<ul style="list-style-type: none"> <li>Capitals (page 74)</li> </ul>	<ul style="list-style-type: none"> <li>Financials (page 210)</li> </ul>



## Social

B4. Labour Standards  
B5. Supply Chain Management

- Capitals (page 74)

B7. Anti-corruption



- Governance (page 108)
- Financials (page 210)

B6. Product Responsibility

- A Snapshot of CLP in 2020 (page 4)
- Chairman's Statement (page 14)
- CEO's Strategic Review (page 18)
- Business Performance and Outlook (page 42)
- Capitals (page 74)
- Financials (page 210)

B8. Community Investment

- A Snapshot of CLP in 2020 (page 4)
- Chairman's Statement (page 14)
- CEO's Strategic Review (page 18)
- Business Performance and Outlook (page 42)
- Capitals (page 74)
- Financials (page 210)

- Our [2020 Sustainability Report](#), which is published at the same time, captures in detail our delivery of social and environmental value in a rapidly changing environment and reports all aspects of our activities, prepared in accordance with the Core option of GRI Standards. 
- PricewaterhouseCoopers (PwC) have conducted limited assurance on selected ESG KPIs as set out in the Five-year Summaries on pages 302 and 303 of this Annual Report, in accordance with International Standard on Assurance Engagement 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagement 3410, Assurance Engagement on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. The [Sustainability Report](#) also includes an independent assurance report from PwC. 

## Our Board

### The Board's Roles and Responsibilities

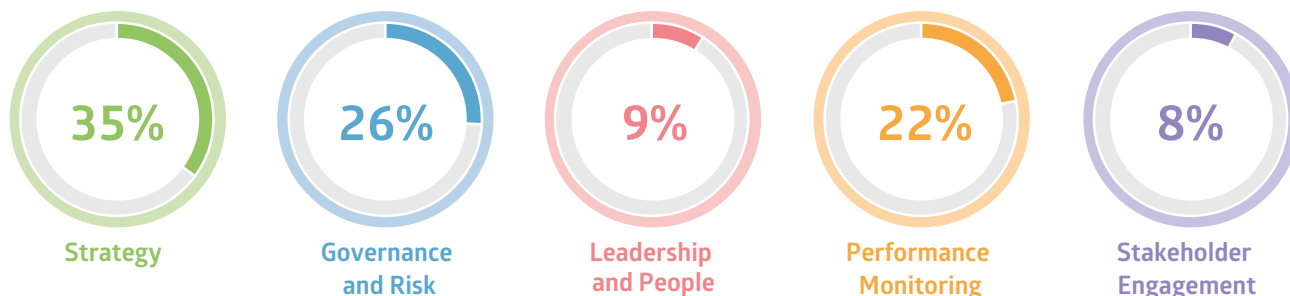
Our Board plays a critical role in ensuring that our corporate governance best serves the Company's interest in building a sustainable business. Under the leadership of our Chairman, the Board cultivates good governance as the cornerstone of our corporate culture.



Dual Role of Governance Oversight & Strategic Lead in Anticipating & Shaping the Future

### Board's Focus

The Board recognises that effective oversight and leadership over the affairs of the Company are critical to promoting the success of the Company. The following illustrates the Board's focus during the reported period (full year 2020 and for 2021 up to the date of this Report) (the Period)\*:



\* We considered the number of agenda items, time spent on discussing the relevant items and the volume of supporting Board papers to determine the level of the Board's focus on these five categories.

Strategy	
Group strategy, business plan and budget review	<p>The Board undertook an in-depth and comprehensive review of the Group's strategy. The review covered the Group's position in each of the CLP markets, key drivers of change in our industry and markets and the approach on decarbonisation, digitalisation and innovation. The Board, in conjunction with management, formulated the strategy of pursuing more diversified opportunities in the Greater Bay Area.</p> <p>As part of the usual business plan and budget review process, the Board considered and approved the CLP Group Business Plan and Budget 2021-2025.</p>
Business opportunities	<p>The Board received a deep dive briefing from management on the potential business opportunities in the Greater Bay Area. The Board Members analysed the regulatory landscape and strategic opportunities in the traditional energy infrastructure and energy-related services.</p> <p>Regarding India's new rules on foreign investments and the implications for CLP's future investment opportunities, the Board analysed the new rules and the application to CLP Holdings and CLP India. In addition, the Chairman and Directors provided guidance and support to management in navigating, and furnished supporting statements to meet, the regulatory requirements and requests.</p>
Governance and Risk	
Risk management and internal controls	<p>With the COVID-19 situation evolving rapidly, the Board examined the risks faced by each of the Group's business units and Group Operations.</p> <p>The Board also monitored the potential impact of COVID-19 on the Group's financial performance and was satisfied that the situation was being well managed by management in each of the business units.</p> <p>As a top tier risk, the Board continued to provide oversight of cybersecurity-related risks and management reported to the Board on the progress of the initiatives undertaken by the cybersecurity function.</p>
Audit & Risk Committee activities	<p>The Board received the important overview from the Chairman of the Audit &amp; Risk Committee on the Committee's review of financial statements and oversight of risk management and internal control systems ahead of management's presentation of the full year and half year financial statements.</p>



<b>Leadership and People</b>	
Refreshed Board and Board Committees	<p>As part of the Board refresh, the Board oversaw a number of changes to the composition of the Board and Board Committees, for details, see “Board Committees Refresh” on page 130.</p> <p>The Board endorsed the engagement of a consulting firm to undertake a search process for potential candidates for the position of Independent Non-executive Director(s). The Chairman and Vice Chairman took part in the interview process which was led by the Nomination Committee. Having regard to the unique and extensive experience of Ms Gaw and Mr Gu in Mainland China and the Greater Bay Area, the Board considered the recommendations of the Nomination Committee and approved the appointments.</p> <p>In October, Ms Christina Gaw and Mr Chunyuan Gu were appointed as Directors and became Members of the Finance &amp; General Committee; in addition, they became Members of the Sustainability Committee and the Audit &amp; Risk Committee, respectively.</p>
Chairman’s sessions	<p>The Chairman held an annual Non-executive Directors only meeting and an additional Chairman’s meeting with the Independent Non-executive Directors only. These sessions provide an open agenda for the Non-executive Directors and Independent Non-executive Directors to raise matters of interest to the Group with the Chairman.</p>
People	<p>The Board undertook a review of the enterprise leadership succession plan. The Board Members encouraged management to develop the future generation with the ability to navigate through the changing environment and to engage with important stakeholders of the Group.</p> <p>The Board closely monitored the appointment process for Mr Nicolas Tissot as the new incoming CFO and the change of role for Mr Geert Peeters as Chief Strategy &amp; Transformation Officer. The Chairman and Vice Chairman were also involved in the interview process for Mr Nicolas Tissot.</p>
<b>Performance Monitoring</b>	
Results and dividends	<p>The Board approved the following: 2019 and 2020 Annual Reports; 2020 Interim Report; the quarterly statements; and the dividends for the financial years ended 31 December 2019 and 2020.</p> <p>In approving the Annual Reports and Interim Report, the Board also approved the financial statements and ensured that the statements give a true and fair view of the financial position of the Group.</p>
Regular updates	<p>The Board considered the matters covered in the CEO’s Report where the CEO highlighted key issues on safety and business updates for each of the Group’s markets. This enabled the Board to keep abreast of the material issues and developments of the CLP Group.</p> <p>In between Board meetings, the Directors received the CLP Group Management Report that provided updates on the Group’s key financial information as well as reports on health, safety and environment.</p>
<b>Stakeholder Engagement</b>	
CLP Power Hong Kong engagement initiatives	<p>The Board received a briefing on the CLP Power engagement strategy. The Board considered the engagement strategy against the background of a changing local political landscape. The Board Members and management had a good exchange of views on the topic of engagement with the younger generation and how themes of sustainability could be introduced into the engagement.</p>

**Attendance at our Board meetings and the interaction between Senior Management and our Directors**

The partnership between our Board and Senior Management is highly transparent and collaborative. In addition to our CEO and CFO Executive Directors, our Board meetings are typically attended by the following members of our Senior Management:

- Group Director & Vice Chairman – CLP Power Hong Kong – Mrs Betty Yuen;
- Managing Director – CLP Power Hong Kong – Mr Chiang Tung Keung;
- Managing Director – China – Mr Chan Siu Hung;
- Managing Director – India – Mr Rajiv Mishra;
- Managing Director – EnergyAustralia – Ms Catherine Tanna and at times, Mr Alastair McKeown, Chief Financial Officer – EnergyAustralia;
- Chief Operating Officer – Mr David Smales;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant.

To complement the Board’s responsibilities and focus, the Board’s work is well supported by the Board Committees; see “Board Committees” on page 129.

**Board and Board Committees meetings held during the Period**

2020												2021	
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
	(B)			(D) (B) ✓		▲	(B)		(B)		(I) (B)		(B)
(A)	(A) (F) (H) (S)	(F)	(A) (F)		(A) (P)	(A) (F) (H)	(F) (N)		(A) (S)	(F) (H) (P) (S)	(N)	(A)	(A) (F) (H) (S)


**Board**

- (B) Board
- (D) Chairman and Non-executive Directors only
- (I) Chairman and Independent Non-executive Directors only
- ✓ AGM
- ▲ Expert Briefing

**Board Committees**

- (A) Audit & Risk Committee
- (F) Finance & General Committee
- (H) Human Resources & Remuneration Committee
- (N) Nomination Committee
- (P) Provident & Retirement Fund Committee
- (S) Sustainability Committee

## Board Committees

The Board delegates some of its responsibilities, with appropriate oversight, to the respective Board Committees and the delegated Listing Rules Code Provisions corporate governance duties\* are highlighted below. [Terms of reference and membership of all Board Committees](#) are disclosed in full on the websites of CLP and the Hong Kong Stock Exchange. 

### Audit & Risk Committee (see full report on page 158)

- ◉ Corporate governance, compliance and code of conduct\*

### Sustainability Committee (see full report on page 166)

- ◉ Governance of ESG issues\*

### Nomination Committee (see full report on page 171)

- ◉ Governance of Board-level matters and professional development of Directors\*

### Human Resources & Remuneration Committee (see full report on page 175)

- ◉ Professional development of management\*

### Finance & General Committee

- ◉ See below for responsibilities and work done during the Period

### Provident & Retirement Fund Committee

- ◉ See page 130 for responsibilities and work done during the Period

## Membership of Finance & General Committee

Mr William Mocatta (Chairman), Sir Rod Eddington, Mr Nicholas C. Allen, Ms May Siew Boi Tan, Mr Andrew Brandler, Ms Christina Gaw, Mr Chunyuan Gu, Mr Richard Lancaster, Mr Geert Peeters and Mrs Betty Yuen.

### Responsibilities and Work Done

This Committee reviews the financial operations of the Company which include group-wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets and business performance. The Committee also reviews major acquisitions or investments and their funding requirements. In addition, the Committee reviews the implementation of the Company's strategy approved by the Board and the performance and business environment of the Company; and the Committee will also identify any matters that should be referred to the Board for review and further consideration.

The work performed by the Committee during the Period included the review and consideration of the following matters:

- ◉ the Company's interim and annual results and the dividends payable to shareholders for the financial years ended 31 December 2019 and 2020;
- ◉ the CLP Group Business Plan and Budget 2021-2025;
- ◉ the financial outlook of CLP's business units under COVID-19 stress testing scenarios;
- ◉ the capital expenditure and 2021 tariff strategy for the Hong Kong business;
- ◉ potential investment in specific projects in China and Australia;
- ◉ the progress update on the Vietnam projects and innovation projects;
- ◉ the business update and strategic plan for CLPe Solutions;
- ◉ the CLP Group funding requirements, financing initiatives and cost of capital study; and
- ◉ CLP's foreign exchange translation risk and counterparty exposures.

The nature of the work of the Committee includes the consideration of transactional items which may arise from time to time and require the review and approval by the Committee via circulation of papers on a time sensitive basis.

### Membership of Provident & Retirement Fund Committee

Mr William Mocatta (Chairman), Mr Geert Peeters and a Trustee.

#### Responsibilities and Work Done

This Committee advises the Trustee on investment policy and objectives for the Group's retirement funds, namely the CLP Group Provident Fund Scheme and CLP Group Top-Up Scheme.

During the Period, the Committee monitored the performance of the overall portfolio, the investment managers and operational efficiency. Education and communication are arranged for schemes members for better retirement planning.

### Board Committees Refresh

A number of the Board Committees were refreshed in 2020. Details of the changes are set out below:

- New appointments of Members with effect from 1 January 2020:
  - Human Resources & Remuneration Committee – Mrs Fanny Law and Ms May Tan;
  - Nomination Committee – Ms May Tan; and
  - Sustainability Committee – Mr Philip Kadoorie.
- Change of Committee Chair and Committee membership with effect from the conclusion of the AGM held on 8 May 2020:
  - Mr Vernon Moore retired as Chairman of the Audit & Risk Committee, and a Member of the Finance & General Committee and the Human Resources & Remuneration Committee;
  - Mr Vincent Cheng retired as Chairman of the Human Resources & Remuneration Committee, and a Member of the Finance & General Committee and the Nomination Committee; and
  - Mr Nicholas C. Allen took up the role of the Chairman of the Audit & Risk Committee and the Human Resources & Remuneration Committee.
- New appointments of Committee Members with effect from 20 October 2020 upon the appointment of new Directors:
  - Ms Christina Gaw was appointed as a Member of the Finance & General Committee and the Sustainability Committee; and
  - Mr Chunyuan Gu was appointed as a Member of the Audit & Risk Committee and the Finance & General Committee.

## Directors' Attendance and Development

Our Directors attend to the affairs of the Group through their participation at the AGM, Board and Board Committee meetings and perusal of Board papers.

In 2020, seven Board meetings were held and the overall attendance rate of Directors at Board meetings was 97.56% (2019: 94.51%). Details of Directors' attendance at the AGM, Board and Board Committee meetings (**attended / held**) and development programme in the year 2020 are set out in the following table.

	Board <sup>1</sup>	Audit & Risk Committee <sup>2</sup>	Finance & General Committee	Human Resources & Remuneration Committee	Nomination Committee	Sustainability Committee	Provident & Retirement Fund Committee	AGM <sup>2,3</sup>	Directors Development Programme*
<b>Non-executive Directors</b>									
The Hon Sir Michael Kadoorie	6/7 <sup>(C)</sup>				1/2 <sup>4</sup>			✓	A, B, C
Mr William Mocatta	6/6 <sup>(VC)</sup>		6/6 <sup>(C)</sup>	3/3			2/2 <sup>(C)</sup>	✓	A, B, C
Mr J. A. H. Leigh	6/6							✓	A
Mr Andrew Brandler	6/6		6/6			3/3		✓	A
Mr Philip Kadoorie <sup>5</sup>	6/6					2/3		✓	A, B
<b>Independent Non-executive Directors</b>									
Sir Rod Eddington	7/7		6/6					✓	A
Mr Nicholas C. Allen <sup>6</sup>	7/7	6/6 <sup>(C)</sup>	6/6	3/3 <sup>(C)</sup>	2/2 <sup>(C)</sup>	3/3		✓	A, C
Mrs Fanny Law <sup>7</sup>	7/7	6/6		3/3		3/3		✓	A, C
Mrs Zia Mody <sup>8</sup>	6/7			2/3				-	A
Ms May Siew Boi Tan <sup>9</sup>	7/7	6/6	5/6	3/3	2/2	3/3		✓	A, C
Ms Christina Gaw <sup>10</sup>	2/2		1/1			1/1		N/A	A, B
Mr Chunyuan Gu <sup>11</sup>	2/2	1/1	1/1					N/A	A, B
Mr Vernon Moore <sup>12</sup>	1/1	3/3	3/3	1/1				✓	N/A
Mr Vincent Cheng <sup>13</sup>	1/1		3/3	1/1	N/A			✓	N/A
<b>Executive Directors</b>									
Mr Richard Lancaster	5/5		6/6			3/3 <sup>(C)</sup>		✓	A, B, C
Mr Geert Peeters	5/5		6/6				2/2	✓	A, C

Notes:

- 1 Included (a) an annual meeting where the Chairman met with the Non-executive Directors only; and (b) an annual meeting where the Chairman met with the Independent Non-executive Directors only.
- 2 Representatives of the independent auditor participated in every Audit & Risk Committee meeting and the AGM.
- 3 Independent Non-executive Directors were available to take shareholders' questions specifically addressed to them during the AGM (of which there were none).
- 4 The Hon Sir Michael Kadoorie was unable to attend the August Committee meeting; Mr William Mocatta attended in his stead as he was involved in the interview process for the two Director candidates along with The Hon Sir Michael Kadoorie.
- 5 Mr Philip Kadoorie was appointed as a Member of the Sustainability Committee with effect from 1 January 2020.
- 6 Mr Nicholas C. Allen took up the role of the Chairman of the Audit & Risk Committee and the Human Resources & Remuneration Committee after the conclusion of the 2020 AGM held on 8 May 2020.
- 7 Mrs Fanny Law was appointed as a Member of the Human Resources & Remuneration Committee with effect from 1 January 2020.
- 8 Mrs Zia Mody was unable to attend the 2020 AGM due to other commitments.
- 9 Ms May Siew Boi Tan was appointed as a Member of the Nomination Committee and the Human Resources & Remuneration Committee with effect from 1 January 2020.
- 10 Ms Christina Gaw was appointed as an Independent Non-executive Director, and a Member of the Finance & General Committee and the Sustainability Committee with effect from 20 October 2020.

- 11 Mr Chunyuan Gu was appointed as an Independent Non-executive Director, and a Member of the Audit & Risk Committee and the Finance & General Committee with effect from 20 October 2020.
- 12 Mr Vernon Moore retired as an Independent Non-executive Director, Chairman of the Audit & Risk Committee, and a Member of the Finance & General Committee and the Human Resources & Remuneration Committee with effect from the conclusion of the 2020 AGM held on 8 May 2020.
- 13 Mr Vincent Cheng retired as an Independent Non-executive Director, Chairman of Human Resources & Remuneration Committee, and a Member of the Finance & General Committee and the Nomination Committee with effect from the conclusion of the 2020 AGM held on 8 May 2020.
- 14 Chairmen of the Board and Board Committees and the Vice Chairman of the Board are indicated by (C) and (VC) respectively.

#### \* Directors Development Programme

All Directors participate, at the Company's expense, in continuous professional development and training, with appropriate emphasis to develop and refresh their knowledge on industry-related updates. Our Directors Development Programme includes:

- A – reading regulatory and industry-related updates, with the focus in 2020 on anti-corruption;
- B – meeting with local management and stakeholders, and visiting CLP's facilities and special projects with CLP's involvement; and
- C – attending expert briefings / seminars / conferences relevant to the business or director's duties. In 2020, some of our Directors attended briefing on the future of globalisation in a post pandemic world affected by rising trade tensions. In addition, they have access to Chatham House (a leading independent policy institute based in London) publications and the opportunity to attend Chatham House events on topics relevant to our business.

#### Onboarding for new Directors

The Company has in place a set of Onboarding Guidelines with the key objective of assisting new Directors in their understanding of CLP's business, governance and Board and Committee dynamics. This sets out a structured onboarding process that would serve as a roadmap for new Directors to gain a better understanding of CLP and our business environment.

Our Onboarding Programme for the newly appointed Directors is individually designed with the specific Director in mind having regard to the Director's unique background, skills, experience and perspective. Components of our Onboarding Programme include:

- an introduction session;
- face-to-face and one-on-one meetings with the Chairman of the Board, Chairmen of the Board Committees and the Senior Management who work closely with the Board and Board Committees;
- access to information that provides a broad overview of the CLP Group;
- invitation to attend Board Committee meetings to assist with the understanding of the work carried out by various Board Committees; and
- visits to the major facilities of CLP and / or special projects with CLP's involvement.

With their unique experience in Mainland China and the Greater Bay Area, Ms Christina Gaw and Mr Chunyuan Gu commenced their onboarding sessions with the Senior Management focusing on the Greater Bay Area opportunities.

As part of the onboarding sessions for newly appointed Independent Non-executive Directors, Ms Christina Gaw and Mr Chunyuan Gu accompanied by the Company Secretary and CLP management, visited CLP Power Hong Kong's System Control Centre, Black Point Power Station and Castle Peak Power Station.



## Directors' Time and Directorship Commitments

Our Directors, Non-executive Directors in particular, have demonstrated a strong commitment to the CLP Board affairs and they are well aware that they are expected to have a sufficient time commitment to the Board. Directors have given certain confirmations and made disclosures about their other commitments.

### ● Sufficient time and attention

- Directors have confirmed that they have given sufficient time and attention to the affairs of the Company for the year.


### ● Other offices and commitments

- Directors disclose to the Company twice a year the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments, together with an indication of the time involved.

### ● Other directorships

- None of our Directors, individually, held directorships in more than six public companies (including the Company) as at 31 December 2020.

Our Executive Directors do not hold directorship in other public companies; however, they are encouraged to participate in professional, public and community organisations.

In respect of those Directors who stand for election or re-election at the 2021 AGM, all their directorships and board committees membership held in listed public companies in the past three years are set out in the Notice of AGM. [Other details of the Directors' biographies](#) are set out under Board of Directors on page 110 of this Annual Report and on CLP website. 

## Board Evaluation

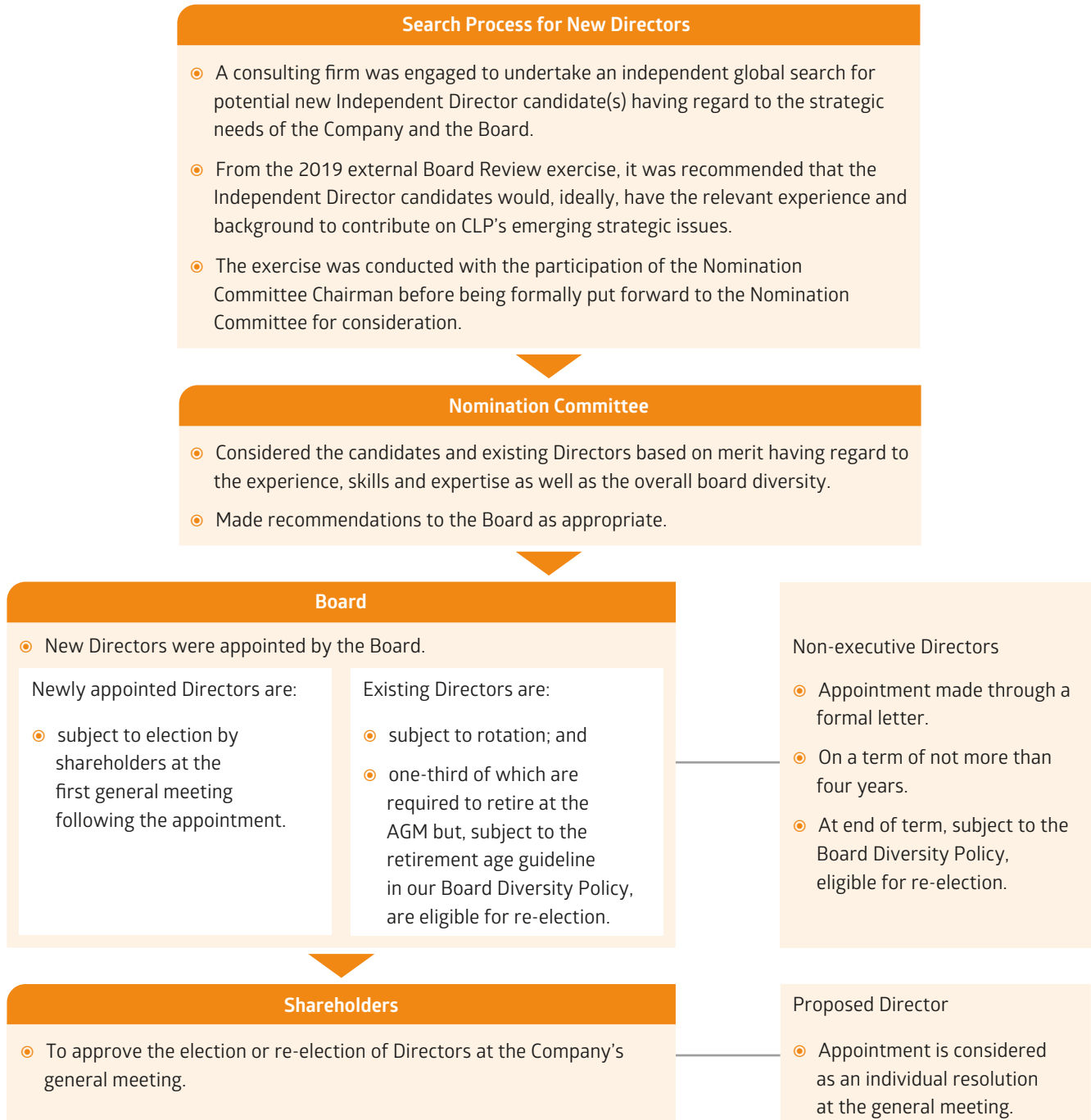
We undertook an external Board Review in 2019. In 2020, we implemented the recommendations from the review. Details of the initiatives implemented are highlighted in "2020 At a Glance" on page 119.

### Nomination and Appointment of Directors

For the appointment of new Directors, CLP assesses the needs and follows a formal, considered and transparent procedure. CLP's Nomination Policy is disclosed in the Nomination Committee Report on page 171.

#### CLP's process for appointing a Director

The diagram below presents the approach used by CLP to appoint our Directors. For the 2020 appointments, we engaged a consulting firm for the search for Non-executive Directors and this is highlighted below.




## Why Board Diversity is Important to CLP

We recognise that Board diversity is an essential element contributing to the sustainable development of CLP.

The CLP Board Diversity Policy was adopted by the Board in 2013 and revised in 2019. This Policy incorporates Code Provisions of the Stock Exchange Code, the retirement age guideline (at the age of 72) for our Non-executive Directors (other than the Chairman) and the CLP Group Diversity and Inclusion Policy for Senior Management and Staff.

Our concept of diversity incorporates a number of different aspects, such as independence, professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service.

Our Board Diversity Policy also recognises that board diversity can be achieved without increasing the size of the Board and that a reduction in board size due to retirements without replacement can also be a way to further diversity.

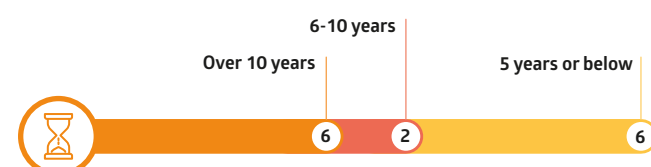
The [CLP Board Diversity Policy](#) is available on the CLP website. 

## Board Composition & Diversity

### Gender



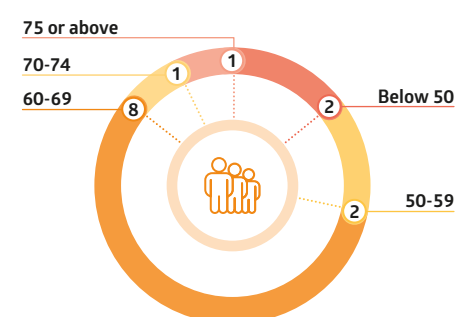
### Length of service



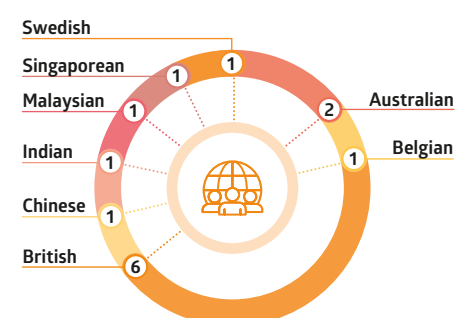
### Capacity



### Age group



### Nationality



## Board Expertise

To ensure the Board continues to possess a balance of skills appropriate for the requirements of the business of the Group, an analysis of the skill set mix was considered by the Nomination Committee.

The table below highlights the breakdown of the skill set mix of our Directors and demonstrates the broad and diverse mix of experience and background relevant to CLP that the Directors bring to the Board and its Committees.

Expertise	Relevance to CLP	No. of Directors (Full Board of 14)
<b>Board / board committees leadership</b>	Board and governance leadership experience are regarded as a strategic asset to the Board and Board Committees	6
<b>CLP market experience</b> (Hong Kong / Mainland China (including Greater Bay Area) / India / SEA & Taiwan / Australia)	Facilitates the review of CLP's business and financial operations and investments in the respective region	14
<b>Company executive</b>	Provides insights into executive leadership and the management of CLP's business and operations	8
<b>Global market experience</b>	Provides insights into the global economic trends and opportunities that CLP can explore	14
<b>Other industries</b>	Brings in other expertise applicable across different industries	11
<b>Other listed board roles</b>	Brings in good practices as a board and/or board committee member of listed companies	12
<b>Public administration</b>	Brings in experience in the areas of regulatory and stakeholder engagement	1
<b>Related industry experience</b> (Infrastructure / Power / Property / Retail)	Facilitates the review of CLP's business operations and investment opportunities in the related industries	14
<b>Risk &amp; compliance</b>	Risk and compliance as key governance responsibilities of the Board	10
<b>Technology</b>	Provides insights into the technological developments and the governance of cyber risks	4
<b>Professional</b>	Brings in oversight, advisory and operational experience in the respective field of profession	10
Accounting		5
Engineering		4
Legal	2	

Note: Multiple professional background and experience may apply to a Director.

## Assessment Results of Diversity

The Board is characterised by its strong independence and diversity.



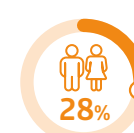
Percentage of Directors having served the Board for over 10 years remained at 42% (gradual Board refresh is in progress with an increasing number of Directors serving the Board for five years or below during 2020)



Percentage of Directors aged 70 or above is on a downward trend (reduced from 21%)



Board is reasonably diverse in terms of nationality, with resident Directors in Hong Kong, India and Australia where CLP has major business and operations



Gender diversity (female representation) maintained at a high level amongst Hong Kong listed companies



Representation of Executive Directors in the Board remained at a relatively low level



Representation of Independent Non-executive Directors maintained at a strong level

## Disclosure of Conflict of Interest and Independence of Directors

### Conflicts

Directors are requested to declare their and their connected entities' direct or indirect interests, if any, in proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate. In 2020, none of the Directors were required to withdraw from meeting in these circumstances.

The Company follows guidelines at each financial reporting period to obtain confirmations from Directors in respect of any transactions of the Company or its subsidiaries which are related to Directors or their connected entities.

In addition, identified significant related party transactions are disclosed in Note 32 to the Financial Statements.

### Independence

As required under the Listing Rules, the Company received written confirmations from all of the Independent Non-executive Directors regarding the independence of each of them and their immediate family members.


Among the Independent Non-executive Directors of the Company, Mr Nicholas C. Allen holds cross-directorship with Ms May Tan, as both of them serve on the boards of the Company and Link Asset Management Ltd.

Given that each of Mr Nicholas C. Allen and Ms May Tan plays a non-executive role and holds less than 1% of the number of issued shares in each of the relevant companies, the Company considers that such cross-directorship would not undermine their independence with respect to their directorships at CLP Holdings.

### Our view on independence

The Company maintains the view that a Director's independence is a question of fact and this is formally recognised in the Board Diversity Policy. The Board is committed to assessing this on an ongoing basis with regard to all relevant factors concerned. Some of these factors include: the ability to continually provide constructive challenge for management and other Directors and to express one's own views independent of management or other fellow Directors and the gravitas inside and outside the boardroom context. These attributes and desired behaviour have been demonstrated by our Independent Non-executive Directors as circumstances require.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Non-executive Directors to be independent.

[Details of all Directors and their biographies](#) including, if any, relationship between the members are disclosed on pages 110 to 115 and on our website. 

### Directors' Shareholding Interests

Directors' interests in CLP's securities as at 31 December 2020 are disclosed in the Directors' Report on page 192. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2020 they have complied with the required standard set out in the Model Code and our own Code for Securities Transactions. CLP's own Code for Securities Transactions is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code.

## Management and Staff

CLP recognises the importance of diversity not just at the Board level but throughout the CLP Group. Our respect for people and diversity are embedded in CLP’s Value Framework and our Board Diversity Policy has also incorporated the CLP Group Diversity and Inclusion Policy for Senior Management and Staff. The Value Framework was updated in 2020 and a number of labour-related commitments have been reinforced in the updated Value Framework.

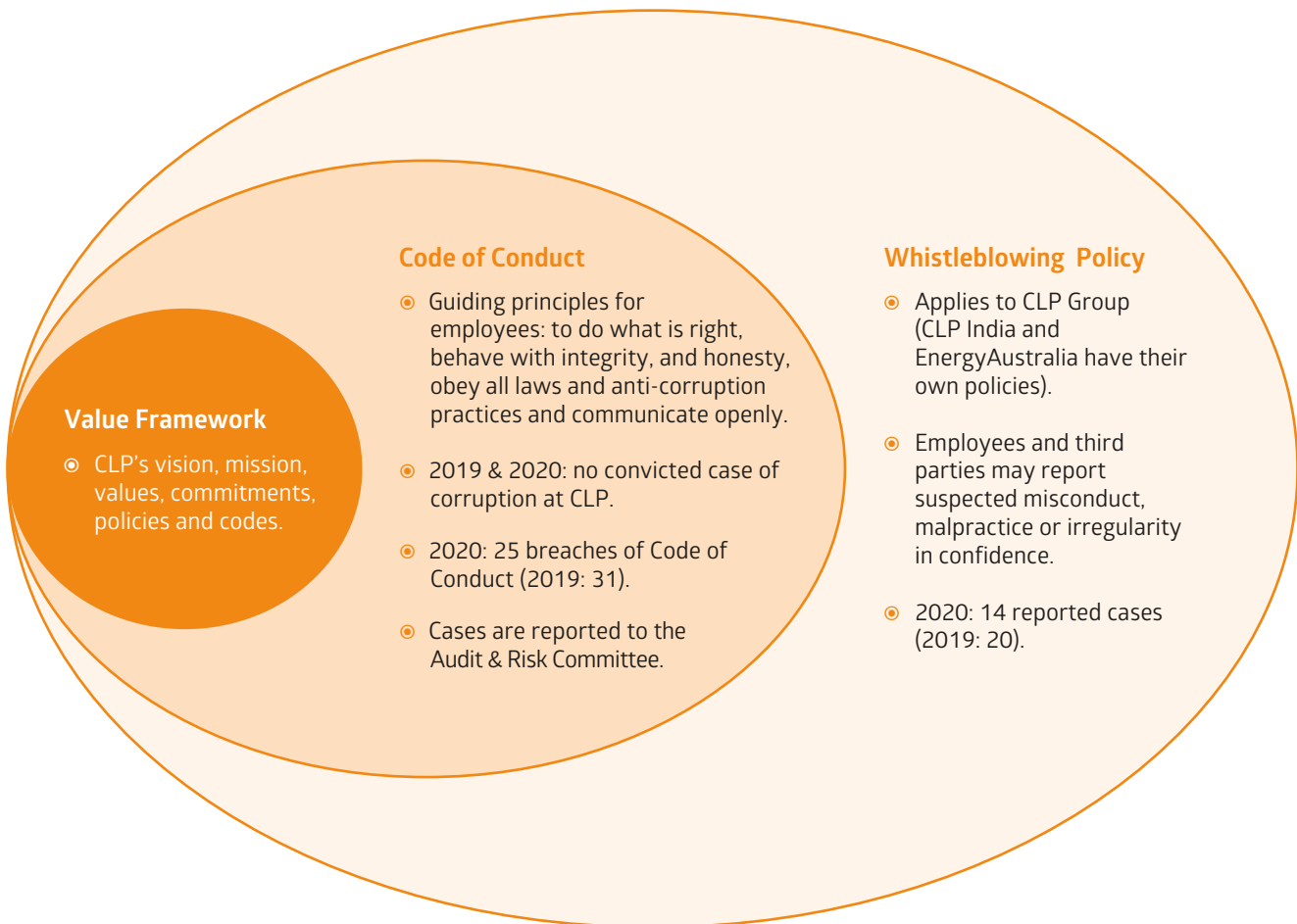
One of the key tasks of CLP’s management and staff is the successful implementation of strategy and direction as determined by the Board under the leadership of our Chairman. This includes promoting and “living” the good corporate culture set by our Board over the years. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board, CLP’s shareholders and other stakeholders, and these have been documented in our Code of Conduct.

In 2020, we introduced the Fraud Risk Awareness e-learning course, a mandatory training for staff covering all regions, aimed at enhancing the fraud risk awareness across the CLP Group. The course focused on the importance of identifying different forms of potential fraud, and on how CLP staff can prevent, detect, respond to, and report cases of fraud. These are exceptionally relevant in light of the pandemic situation, unprecedented in many ways, where organisations could potentially be more vulnerable to the heightened risk of fraud.

### Role of Management and Staff in Promoting Good Corporate Governance Practices

The positions of Chairman and CEO are separate, our CEO has the overall responsibility for carrying out the strategy and direction set by the Board and for managing the Group’s business. The delegation of authority by the Board to the Committees, Senior Management and management are prescribed in the form of a “Company Management Authority Manual”.

Management and staff adhere to various Group policies that reflect the values and corporate culture of CLP.



Our Management and Staff are subject to CLP Securities Dealing Restrictions.

- We appreciate that some of our staff may in their day-to-day work have access to potential inside information.
- Our Senior Management and selected members of staff, “Specified Individuals”, are subject to securities dealing restrictions in our CLP Code for Securities Transactions.
- Securities Transactions: All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2020 they have complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.
- Shareholding in CLP shares: Save for the interest disclosed by the CEO in the Directors’ Report on page 206 and the interest in 600 shares disclosed by the Managing Director – China, the other members of the Senior Management did not have any interests in CLP Holdings’ securities as at 31 December 2020.

### Senior Management Training and Development

We have a formal procedure in place for reporting the training and continuous professional development of Senior Management. Members of Senior Management have access to a variety of training activities. These include access to online learning and information sources, formal executive development programmes at leading business schools and attendance at executive briefings on matters of topical interest provided through our strategic partnerships with organisations such as Chatham House, IMD and LUX Research. We also make selective use of systematic and independent executive assessment and coaching processes to assist with identifying individual development needs and provide input to our succession planning decisions.

#### Participation in Training and Continuous Professional Development of Senior Management in 2020

Senior Management	Attending formal executive development / training programme	Attending expert briefings / seminars / workshops / conferences relevant to the business or their duties	Participating as speakers at events	Access to web-based learning resources
Mr Richard Lancaster	●	●	●	●
Mr Geert Peeters	●	●		●
Mr David Smales	●	●		●
Mr David Simmonds <sup>1</sup>	●	●	●	●
Ms Quince Chong	●	●	●	●
Ms Eileen Burnett-Kant	●	●		●
Mrs Betty Yuen	●	●		●
Mr Chiang Tung Keung	●	●	●	●
Mr Chan Siu Hung	●	●	●	●
Mr Rajiv Mishra	●	●	●	●
Ms Catherine Tanna	●	●	●	●


Note:

- 1 During 2020, Mr David Simmonds, the Company Secretary, served as the Vice-President, the Chairman of the Membership Committee and the Company Secretaries Panel, he also led the Competition Law Interest Group and was a member of the Investment Strategy Task Force of The Hong Kong Institute of Chartered Secretaries. He was also a frequent speaker at seminars and has fulfilled the relevant professional training requirements under the Listing Rules.



## Shareholders

Shareholders are one of our key stakeholders and from a corporate governance perspective, the rights of our shareholders are well recognised and these include:

- The right to receive declared dividends and to vote and attend general meetings.
- The [right to convene general meetings and to put forward proposals](#) – details of which can be found in our explanatory notes to the 2021 Notice of AGM and on our website or on request. 

### Other key shareholder information:

- By type and aggregate shareholding – see page 23
- Year-end CLP shares public float – see page 23
- Coming important dates – see page 27


## 2020 AGM

As highlighted in the “2020 At a Glance”, special arrangements and precautions to minimise the risk of exposure to COVID-19 were put in place for our 2020 AGM which was held in a Hybrid format on 8 May 2020. Our Chairman, CEO and Company Secretary played host, and the representatives of the independent auditor attended in the physical meeting. Our CFO and other Directors attended the meeting online at an off-site venue.


The Hybrid AGM allowed shareholders to attend the meeting in person at the AGM venue through prior registration or to join through an online platform. The opportunity for shareholders to attend the AGM online and to send their questions in advance of the AGM as well as in real-time through the online platform allowed shareholders to express their views amid special circumstances.

**Hybrid** format held on **8 May 2020** at the **physical location** of the Grand Ballroom, Level 2, Kerry Hotel, Hong Kong, 38 Hung Luen Road, Hung Hom Bay, Kowloon, Hong Kong and **online**.

### Highlights of the 2020 Hybrid AGM




- We placed a limit of 50 shareholders who could attend in person at the physical location and their attendance required confirmation through a balloting process.
- An attendance of over 600 shareholders participating in person or online.
- Registered shareholders who joined online can vote.
- A high level of votes approving the following major items:
  - The re-election of Directors ranging from over 94% to about 98%.
  - The general mandate to issue new shares of up to 5% of shares in issue only, at a price not being at a discount of more than 10% to a benchmarked price (about 99%) and to repurchase shares of not more than 10% shares in issue (over 99%).
- Through the online platform, shareholders posed various questions and for questions that were not specifically addressed in the meeting, [detailed answers and responses](#) were provided and disclosed on our website. 

## Communication with Shareholders

At CLP, the importance of an effective dialogue with shareholders and investors has been recognised with the implementation by the Board of a [Shareholders' Communication Policy](#), which is published on our website. This Policy forms the basis for extensive and ongoing engagement with our shareholders and the investment community. 

### Multiple channels of communication and engagement

Our approach to shareholders communication and engagement:

Channels	2020 Highlights
<b>Hybrid AGM</b>	<ul style="list-style-type: none"> <li>Chairman keynote speech</li> <li>Average attendance in the past five years: <b>over 1,600 shareholders</b></li> <li><b>Over 600 shareholders</b> attended in person and online in 2020</li> <li>High voting approval rate on resolutions considered</li> </ul>
<b>2020 Investor Meetings</b> (Led by CEO, CFO and Investor Relations Department)	<ul style="list-style-type: none"> <li>Over <b>80 investor meetings</b> mostly conducted online</li> <li><b>Non-deal roadshows</b> in Asia and Europe</li> </ul>
<b>2020 Shareholders' Visits</b> (Hosted by representatives of the CLP management team)	<ul style="list-style-type: none"> <li>Three tours with 93 shareholders and guests in January 2020</li> <li>Due to COVID-19, most of the visit tours were cancelled in 2020, despite this, we continue to receive strong interest from shareholders</li> </ul>
<b>2020 Analyst Briefings</b> (Led by CEO, CFO and Director – Investor Relations and attended by investment community)	<ul style="list-style-type: none"> <li>Covering the Company's <b>interim and annual results</b></li> </ul>
<b>Reports and Announcements</b>	<ul style="list-style-type: none"> <li>Annual Reports, Interim Reports and <a href="#">Sustainability Reports</a> </li> <li>Quarterly statements</li> <li>Announcements and media releases</li> </ul>
<b>CLP Website</b> 	<ul style="list-style-type: none"> <li>Revamped CLP <a href="#">website</a> to enhance stakeholders understanding on CLP's corporate governance approach </li> <li>AGM videos and minutes</li> <li>Policies and codes</li> <li>Updates of recent financial information and latest investor information</li> <li>Analyst briefings materials</li> </ul>

These channels allow us to receive feedback from our shareholders and investment community. In addition, we have the shareholders' hotline as well as dedicated investor relations and company secretary email accounts for taking enquiries and for receiving information requests from shareholders.

### Reviewing and enhancing shareholders communication

The Audit & Risk Committee is responsible for regularly reviewing the effectiveness of the Shareholders' Communication Policy. The most recent review was undertaken in October 2020 and the effectiveness of the Policy was confirmed. With the continuing COVID-19 situation, the manner of engagement with our shareholders will be monitored closely.

## Group Internal Audit

CLP's Group Internal Audit (GIA) department plays a major role in monitoring the internal governance of the CLP Group. The head of the department, Senior Director – GIA, leads a well-resourced department of 25 highly qualified professional staff.

The Senior Director – GIA is a member of the Group Executive Committee, who reports directly to the Audit & Risk Committee and the CEO and has direct access to the Board through the Chairman of the Audit & Risk Committee. The Senior Director – GIA has the right to consult the Audit & Risk Committee without reference to management.

## Independent Auditor

The Group engages PwC (Certified Public Accountants and Registered Public Interest Entity (PIE) Auditor) as our external independent auditor and we regard their independence as a fundamental governance principle.

How the Group ensures the independence of the external auditor:

- The lead audit partner of PwC is subject to rotation every seven years (as per The International Federation of Accountants rules on independence of external auditors).
- The current lead audit partner, after having served the Company's statutory audits in that capacity since the 2014 financial year-end audit, will complete his seven years of service as the lead audit partner after the 2020 financial year-end audit. He will be replaced by a new lead audit partner who has not had any prior involvement in the CLP Group audit.
- PwC is required to give an annual confirmation on their independence.
- The Audit & Risk Committee will assess PwC's independence in considering their re-appointment.

In addition, PwC will not be engaged to perform non-audit work unless the non-audit work meets the criteria suggested in the Listing Rules and has been pre-approved by the Audit & Risk Committee or its delegates. There must be clear efficiencies and value-added benefits to CLP from the work being undertaken by PwC, with no adverse effect on the independence of their audit work, or the perception of such independence.

During the year, PwC provided the following audit and permissible audit related and non-audit services to the Group:


	2020 HK\$M	2019 HK\$M
<b>Audit</b>	<b>39</b>	39
<b>Permissible audit related and non-audit services</b>		
Audit related services (including Sustainability Report assurance, Continuing Connected Transactions limited assurance, limited assurance over EnergyAustralia's regulatory reviews and reporting, audits of CLP's provident funds and auditor's attestation)	<b>10</b>	7
Non-audit services (including tax advisory and other services)	<b>1</b>	2
<b>Total</b>	<b>50</b>	48

(For these purposes, **permissible audit related and non-audit services** include any entity under common control, ownership or management with PwC or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally.)

The fees of PwC and other non-principal external auditors are shown in Note 5 to the Financial Statements.

For the year ended 31 December 2020, the fees for permissible audit related and non-audit services accounted for 20% and 2% of the total fees respectively.

## Other Stakeholders

Good governance requires due regard to the impact of business decisions (including environmental impact), both on shareholders and on other key stakeholders. This Annual Report and our [Sustainability Report](#) explain how we discharge our responsibilities to employees, customers, lenders, the environment and the communities in which we operate. 

## Risk Management and Internal Control Systems

Effective risk management and internal control systems help the organisation anticipate its risk exposure, put controls in place to counter threats, and effectively pursue the set objectives. They are therefore an essential part of an organisation's operation and governance processes. This section explains (and contains cross references) the key features of our risk management and internal control systems.

### Risk Management Framework

CLP's overall risk management framework is overseen by, and is the responsibility of, the Board, through its Audit & Risk Committee, and comprises four key elements.

Risk Management Philosophy	Risk Governance Structure	Risk Management Process	Risk Appetite
<p>CLP recognises that risk management is the responsibility of everyone within CLP and thus it is integrated into the business and decision-making process.</p>	<p>Clear roles and responsibilities are assigned to multiple layers within the organisation. This structure facilitates risk identification and escalation.</p>	<p>Through an integrated top-down and bottom-up risk review process, which enables risks identification and prioritisation throughout the Group, management maintains an open and effective communication channel to enable the timely escalation of material risk and adequate supervision of risk mitigation.</p>	<p>The nature and extent of the risks that the Group is willing to undertake in pursuit of its strategic and business objectives.</p>

The way we manage risk is set out in the Risk Management Report on page 146.

### Internal Control Framework

CLP structure of internal control is based on the internationally recognised COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 integrated framework. Our 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. CLP Corporate Governance Structure is consistent with our Risk Governance Structure – see page 147.

The **Board of Directors**, through the **Audit & Risk Committee's** review, is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The reviews cover management's assessment on the key business operations, changes in material risks, internal controls, audit and compliance issues.

**GIA** provides independent assurance to the Board on the adequacy and effectiveness of internal controls for CLP. They adopt a risk-based approach, concentrating on areas with significant risks or where significant changes have been

made. GIA is equipped with well qualified and capable staff with access to all the data and operations of the Group.

The **CEO** and the **Group Executive Committee** have primary accountability to the Board in ensuring that robust risk management and internal control systems are established and functioning effectively. Such responsibility is discharged by exercising structured and continuous monitoring and oversight across the Group.

**Group Functions** establish relevant group-wide policies and procedures, oversee the risk and control activities of Business Units relevant to their respective functions.

**Control Owners** (Business Units, Functional Units and individuals) are primarily responsible for the design, implementation, and maintenance of risk management and internal control systems within his/her own area of responsibility. These systems are supported by well-defined policies and procedures, properly established and communicated, which reflect the values and corporate culture of the Group.

**Management Assurance on Internal Control Systems**

Management and designated staff evaluate the control environment and conduct risk assessments on business and processes. Material risks and associated controls, including mitigation when needed, are continually reviewed and updated. The Board is regularly informed of significant risks that may have an impact on CLP’s performance. Regular management briefings and “deep dive” presentations are presented to the Audit & Risk Committee, as set out in the Audit & Risk Committee Report on page 158.

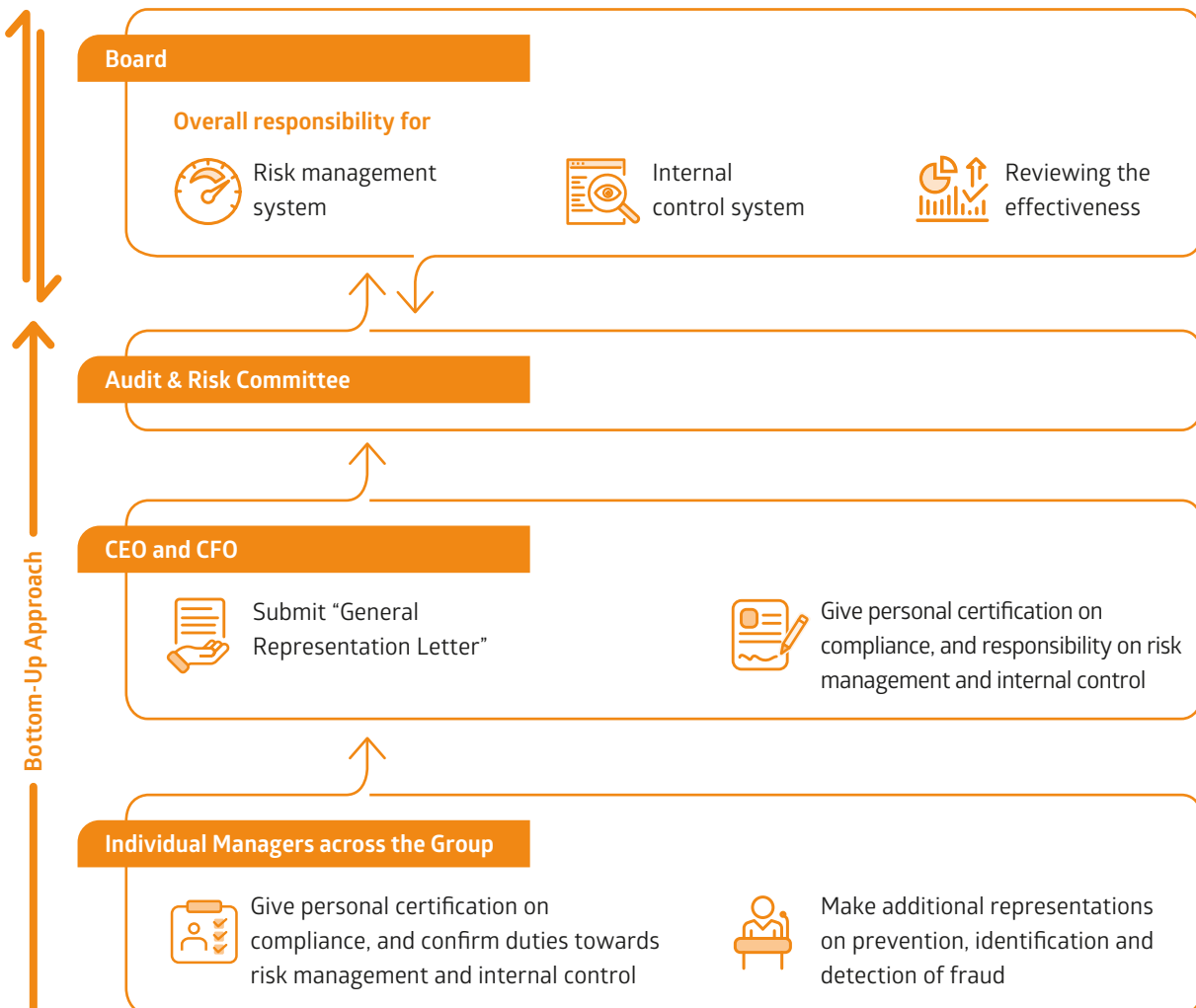
Our internal control review process continues to follow the substance of the requirements under the Sarbanes-Oxley Act on internal controls over financial statements. Three times a year, management provides internal control review updates to the Audit & Risk Committee which cover the scoping of significant processes and controls, assessment on controls design and operating effectiveness. High risk key controls are required to be tested annually by management while lower risk key controls are tested on rotational basis. Control owners are then able to represent to Senior Management

that their internal controls are working as intended, or that necessary corrections have been made where control weaknesses are identified. The independent auditor also tests the key controls to the extent that they will be relied on for the audit.

Internal audit issues identified and associated remedial actions are followed up for proper implementation, and the progress is reported to the Audit & Risk Committee periodically.

Management is also requested to deliver a personal representation on compliance to major policies and procedures, and areas of concern, to confirm duties towards risk management and internal controls, and to make additional representations on prevention, identification and detection of frauds, among others. This General Representation Letter Process provides assurance to the CEO and CFO when preparing their personal representation statement, to be submitted to the Board, through the Audit & Risk Committee.

**CLP’s General Representation Letter Process**



## Effectiveness of Risk Management and Internal Control Systems


Through the Audit & Risk Committee's review, the Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness.

### The review process


Five times a year, the Audit & Risk Committee reviews management's findings and the opinion of GIA on the effectiveness of the Company's risk management and internal control systems. The reviews cover management's assessment of the internal controls of key business operations, changes in material risks, internal control and compliance issues (both financial and non-financial) and significant issues arising from internal and the external audit reports.

For the year ended 31 December 2020, the Board considered the risk management and internal control systems of the Group to be effective and adequate. No significant areas of concern that might affect shareholders were identified.

### Inside Information

We have our own [Continuous Disclosure Obligation Procedures](#) which set out the procedures and controls for handling and dissemination of inside information. The Procedures are on the CLP website. Our Continuous Disclosure Committee (established in 2016) conducted regular assessment of potential inside information including any possible impacts from COVID-19. The members of the committee include the CEO, CFO, the Company Secretary and the Director – Investor Relations. Please also see "Our disclosure" on page 121. 

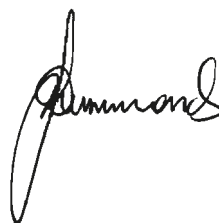
## Corporate Governance – Continuing Evolution and Disclosure

Our own corporate governance practices evolve, not only in line with local requirements, but through our own experience and by reference to international developments. Through this Corporate Governance Report, the [CLP Code](#) and the [Corporate Governance section](#) of our website, we offer a comprehensive view of our practices and policies and how these are developing. Our objective is that, at all times, our corporate governance meets our shareholders' expectations and serves their interests. 

We will continue to review and, where appropriate, improve on our corporate governance practices in light of our experience, regulatory requirements and international developments.

Shareholders can make enquiries with the Board through the Company Secretary via our shareholders' hotline (852) 2678 8228, email at [cosec@clp.com.hk](mailto:cosec@clp.com.hk) or by posing questions at our general meetings. Requests for formal engagement with our management and / or Directors are also welcome.

By Order of the Board



**David Simmonds**  
Company Secretary  
Hong Kong, 22 February 2021