

Corporate Governance Report

CLP's Corporate Governance Framework is used by us to identify the key players involved in ensuring the application of good governance practices and policies within the CLP Group and to give structure to our explanation of those practices and policies.



CLP's Corporate Governance Framework rests on two important commitments:

- We disclose our corporate governance principles and practices openly and fully; and
- We recognise the need to adapt and improve our principles and practices in light of our experience, regulatory requirements, international developments and investor expectations.

Through this Corporate Governance Report, the "CLP Code on Corporate Governance" (the CLP Code) and the Corporate Governance section on our website, we keep shareholders abreast of all our policies and practices so that they can judge whether these are of a standard which meets their expectations and properly serves their interests. 🗉

"The CLP Code on Corporate Governance"

The Hong Kong Stock Exchange's Code on Corporate Governance Practices (the Stock Exchange Code) took effect for accounting periods commencing from 1 January 2005 onwards. It sets out principles of good corporate governance and two levels of recommendation:

- Code Provisions, with which issuers are expected to comply or to give considered reasons for any deviation; and
- Recommended Best Practices, which are for guidance only, save that issuers are encouraged to comply or give reasons for deviation.






The Stock Exchange allows issuers to devise their own codes on corporate governance practices on such terms as they may consider appropriate, provided reasons are given for any deviation from the Stock Exchange Code.



In February 2005, the Board approved the CLP Code with immediate effect. The CLP Code was further updated in February 2009. Shareholders may download a printable copy of the CLP Code from our website, obtain a hard copy from the Company Secretary on request at any time, or by completing and returning the form enclosed with this Annual Report. 🗉


The decision to adopt the CLP Code, as opposed to the Stock Exchange Code, reflected our wish to express our corporate governance practices, which in a number of respects went beyond the terms of the Stock Exchange Code, in our own words and with a structure which corresponded to our existing framework.

Corporate Governance Report

The CLP Code incorporates all of the Code Provisions and Recommended Best Practices in the Stock Exchange Code, save for the single exception specified and explained below. It exceeds the requirements of the Stock Exchange Code in many aspects. CLP has also applied all of the principles in the Stock Exchange Code. The manner in which this has been done is set out in the CLP Code and this Corporate Governance Report. The following are the major respects in which the CLP Code exceeds or meets the Code Provisions and Recommended Best Practices of the Stock Exchange Code.

Exceeds	Meets
✓✓	CLP has established a Corporate Governance Framework which covers all of the relationships and responsibilities of the external and internal corporate governance stakeholders in a comprehensive and structured way.
✓✓	CLP published a formal Value Framework in 2003, updated in January 2009, which sets out the business principles and ethics underpinning CLP's activities.
✓✓	CLP acknowledges shareholders' rights as set out in the Organisation for Economic Cooperation and Development's "Principles of Corporate Governance".
✓✓	More than one-third of the CLP Board are Independent Non-executive Directors.
✓✓	CLP has adopted its own Code for Securities Transactions by Directors, which is on terms no less exacting than the required standard as set out in the Model Code under Appendix 10 of the Listing Rules. This Code also applies to other "Specified Individuals" such as members of the CLP Group's Senior Management. A copy of this Code is available on the CLP website. 
✓✓	In addition to the disclosure of interests of Directors and their confirmation of compliance with the Model Code and CLP Code for Securities Transactions, we disclose Senior Management's interests in CLP Holdings' securities and their confirmation of compliance with the Model Code and CLP Code for Securities Transactions.
✓✓	We issue a formal letter of appointment for Non-executive Directors, modelled on the letter of appointment in the "Higgs Report" in the U.K. on the "Review of the Role and Effectiveness of Non-executive Directors". The model letter is on our website and deals with a range of matters regarding a Director's appointment and responsibilities. 
✓✓	The Audit Committee comprises only Independent Non-executive Directors. Three of the four members have appropriate professional qualifications, accounting and related financial management expertise.
✓✓	We issue an Audit Committee Report which sets out the primary responsibilities of the Audit Committee and the work performed by it during the period under review.
✓✓	A representative of our external auditors attends our AGMs and will take questions from shareholders.
✓✓	CLP publishes its annual performance on environmental issues. Our online Sustainability Report provides comprehensive information on CLP's environmental performance.  
✓✓	We announce our financial results within two months after the end of the financial year. We publish our full Annual Report on our website within the following fortnight and send this to shareholders about two weeks after that. 
✓✓	We provide enhanced disclosure of financial information about the CLP Group's jointly controlled entities and associated companies.
✓✓	The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) submit an annual "General Representation Letter" to the Audit Committee, in which they give a personal certification of compliance by themselves and their subordinates with a range of key internal control systems, disciplines and procedures.
✓✓	We issue a Remuneration Report which sets out the policies applied to determining remuneration levels, and explains the remuneration paid to all Directors and Senior Management on an individual and named basis.
✓✓	Our Anti-Fraud Policy states the Company's commitment to preventing, detecting and reporting fraud.
✓✓	We adopt a Fair Disclosure Policy which sets out the principles for the broad and non-exclusionary distribution of information to the public.
✓✓	We publish a set of Continuous Disclosure Obligation Procedures which formalise the current practices in monitoring developments in our businesses for potentially price-sensitive information and communicating such information to our shareholders, the media and analysts.
✓	All Code Provisions of the Stock Exchange Code.
✓	All Recommended Best Practices of the Stock Exchange Code, except the single one explained on the next page.

CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results. Instead CLP issues quarterly statements which set out key financial and business information such as revenue, electricity sales, dividends and progress in major activities. CLP does not issue quarterly financial results. The reason is a judgment that, as a matter of principle and practice, quarterly reporting does not bring significant benefits to shareholders. Quarterly reporting encourages a short-term view of a company's business performance. CLP's activities do not run and should not fall to be disclosed and judged on a three month cycle. Preparation of quarterly reports also costs money, including the opportunity cost of board and management time spent on quarterly reporting. CLP's position is set out on our website as an update of the views that we expressed in 2002 and which were accompanied by a standing invitation to shareholders to let us know if their views differed. Up to the date of this Report, we have received no such feedback from shareholders. We would review our position if and when there was a clear demand from shareholders for quarterly reporting. CLP's focus remains on enhancing the quality of its reporting to shareholders through existing channels such as the Annual Report, Sustainability Report and its website – all of which far exceed regulatory requirements in the extent of disclosure made.  

Our website includes an annotated version of the CLP Code, with cross-references from the CLP Code to the corresponding Code Provisions and Recommended Best Practices of the Stock Exchange Code. 

Throughout the year, the Company met the Code Provisions as set out in the Stock Exchange Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

Evolution of CLP's Corporate Governance in 2010



In 2010, we made further progress in the evolution of our corporate governance practices, in line with the CLP Code and emerging developments in global corporate governance practices:


-  Improved dividend payment arrangement by introducing the fourth interim dividend (in lieu of the final dividend) to be payable in March – one month earlier than the usual time for payment of final dividend after the AGM
-  Developing a group-level risk management framework to enhance integration of current risk management practices across the Group
-  Published on the CLP website our Policy on Making Political Contributions – it is the CLP Group's general policy to remain politically neutral 
-  Shared our expertise and views on corporate governance issues by participating in formal and informal working groups organised by the Hong Kong Stock Exchange, as well as by responding to formal Consultation Papers issued by the Hong Kong Stock Exchange, the Securities and Futures Commission and the Financial Services and the Treasury Bureau
-  Continued to carry out shareholders' identification exercise pursuant to Section 329 of the Securities and Futures Ordinance with summary results published on the CLP website 
-  Continued to roll-out the development programme for Directors, including visit to CLP's business in the Chinese mainland, attending expert presentations and participation in the Shareholders' Visit Programme in Hong Kong – records of time spent by Directors on the development programme are kept by the Company Secretary
-  Shared our corporate governance practices across majority-owned as well as wholly-owned subsidiaries in PRC and India

Shareholders

The Board and Senior Management recognise their responsibilities to represent the interests of all shareholders and to maximise shareholder value. The "Delivering Shareholder Value" section of this Annual Report details our policies and actions in this respect. In addition, the CLP Code highlights key rights enjoyed by shareholders.


The Company is incorporated in Hong Kong. We have chosen to be subject to the company law of the jurisdiction in which a major part of our business is based, where our shares are listed and where the vast majority of our shareholders are resident.

Further to the Hong Kong Companies Ordinance and our Articles of Association, an Extraordinary General Meeting (EGM) can be convened by a written request signed by shareholders holding not less than one-twentieth of the paid-up share capital of CLP, stating the objects of the meeting, and deposited at our registered office in Hong Kong at 147 Argyle Street, Kowloon.


The procedures for shareholders to put forward proposals at an AGM or EGM include a written notice of those proposals being submitted by shareholders, addressed to the Company Secretary at the registered office. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution, or whether the proposal relates to the election of a person other than a Director of the Company as a Director. The relevant procedures are set out in the Notice of AGM which accompanies the despatch of this Annual Report to shareholders and will be included with the notice to shareholders of any future AGM. The procedures for shareholders to convene and put forward proposals at an AGM or EGM are available on our website or on request to the Company Secretary. 

The most recent shareholders' meeting was the AGM held on 27 April 2010 at the Hong Kong Polytechnic University, Kowloon, Hong Kong. The major items discussed and the percentage of votes cast in favour of the resolutions relating to those items are set out below:

- Election of Mr. Nicholas C. Allen and re-election of Messrs. V. F. Moore, Hansen C. H. Loh, Peter P. W. Tse, Andrew Brandler and Paul A. Theys and The Hon. Sir Michael Kadoorie as Directors of the Company (96.6724% to 99.6518% in respect of each individual resolution);
- Revised levels of remuneration payable to the Non-executive Directors including Independent Non-executive Directors who serve on the Board and Board Committees (99.9766%);
- General mandate to Directors to issue additional shares in the Company, not exceeding five per cent of the issued share capital (88.1324%); and
- General mandate to Directors to purchase shares in the Company, not exceeding ten per cent of the issued share capital (99.9691%).

All resolutions put to shareholders were passed at the 2010 AGM. The results of the voting by poll have been published on CLP's website and the website of the Hong Kong Stock Exchange. The full proceedings of the AGM can be viewed on the "Corporate Governance" section of the Company's website. Minutes of the AGM were sent to shareholders along with the Company's first quarterly statement for 2010. 

CLP uses a number of formal channels to account to shareholders for the performance and operations of the Company, particularly our annual and interim reports and quarterly statements. The AGM provides an 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 Management make an effort to attend. The Chairmen of the Audit Committee and Human Resources & Remuneration Committee attend the AGM and will take shareholders' questions. A representative (usually the engagement partner) of the external auditors also attends the AGM and will take questions from shareholders relating to their audit of the Company's Financial Statements. Our policy is to involve shareholders in the Company's affairs and to communicate with them face-to-face at the AGM and during visits to CLP about our activities and prospects.

We have collected and answered the most frequently asked questions by shareholders regarding their rights as CLP shareholders and the ways in which they can best exercise and enjoy those rights in a "Shareholders' Guide". This Guide and its updates are available on the CLP website. 

The “Delivering Shareholder Value” section of this Annual Report sets out a wide range of other information of particular interest to shareholders, including

- details of the profile of the shareholders in the Company and aggregate shareholding;
- an explanation of the extent of the Company’s public float as at 24 February 2011, being the latest practicable date prior to the issue of this Annual Report; and
- a calendar of important shareholders’ dates for 2011.

Enquiries may be put to the Board by contacting either the Company Secretary through our shareholders’ hotline (852) 2678 8228, e-mail at cossec@clp.com.hk or directly by questions at an AGM or EGM. Questions on the procedures for convening or putting forward proposals at an AGM or EGM may also be put to the Company Secretary by the same means.

The Board

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

The types of decisions which are to be taken by the Board include those relating to

- setting the Group’s values and standards;
- the strategic direction of the Group;
- the objectives of the Group;
- overseeing the management of CLP’s relationships with stakeholders, such as Government, customers, the community and others who have a legitimate interest in the responsible conduct of the Group’s business;
- monitoring the performance of management; and
- ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed.

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2010, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.



Interacting with our shareholders at the AGM

Corporate Governance Report

As at the date of this report, the Board comprises 16 Directors. All Directors (with the exception of the CEO, Group Executive Director and Group Executive Director – Strategy) are non-executive and independent of management, thereby promoting critical review and control of the management process. The Board includes six influential and active Independent Non-executive Directors to whom shareholder concerns can be conveyed. The non-executive members of the Board also bring a wide range of business and financial experience to the Board, which contributes to the effective direction of the Group.

Details of all Directors are given on pages 96 and 97 of this Annual Report. The relationships (including financial, business, family or other material or relevant relationships) among Members of the Board are also disclosed. There is no such relationship as between the Chairman and the CEO. Six Non-executive Directors (see page 96) are not considered as independent, due to their association with the Kadoorie Family, who have a substantial interest (34.87%) in CLP. In common with all Directors, they are aware of their responsibilities to all Shareholders.


Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board Meetings and withdraw

from the meetings as appropriate. In 2010, there was one occasion when a Non-executive Director declared his indirect interests and withdrew from the relevant discussion at the Board meeting. The Company follows guidelines (available at the “Corporate Governance” section of our website) at each financial reporting period to seek confirmation from Directors in respect of any transactions of the Company or its subsidiaries which are related to Directors or their associates. The identified significant related party transactions are disclosed in the Notes to the Financial Statements of the Annual Report. 🔄

Throughout the year ended 31 December 2010, the Board exceeded the minimum requirements of the Listing Rules as to the appointment of at least three Independent Non-executive Directors (CLP had six), and that there should be one director with appropriate professional qualifications or accounting or related financial management expertise on the Audit Committee (there are three such directors on CLP’s Audit Committee).

Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each Independent Non-executive Director of his/ her independence to the Company. The Company considers all of the Independent Non-executive Directors to be independent.



 Directors' visit to our Gaotang Hydropower Station in Huaiji

Board and Committee Attendance

The full Board meets in person at least quarterly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM, Board and Board Committee Meetings held in 2010 are set out in the following table. The overall attendance rate of Directors at Board Meetings was 85.7% (2009: 92.1%).

Directors		Meetings Attended / Held						
	Board ^(a)	Audit Committee ^(b)	Finance & General Committee	Human Resources & Remuneration Committee	Nomination Committee	Provident & Retirement Fund Committee	Sustainability Committee	AGM
Non-executive Directors								
The Hon. Sir Michael Kadoorie	4 / 6				(c)			1
Mr. William Mocatta	6 / 6		7 / 7	2 / 2		2 / 2		1
Mr. R. J. McAulay	5 / 6							0
Mr. J. A. H. Leigh	5 / 6							1
Mr. R. Bischof ^(d)	0 / 1					N/A		N/A
Mr. I. D. Boyce	6 / 6		6 / 7					1
Mr. Jason Whittle ^(e)	0 / 3							0
Dr. Y. B. Lee	6 / 6							1
Mr. Paul A. Theys	3 / 6							0
Independent Non-executive Directors								
The Hon. Sir S. Y. Chung	6 / 6				(c)			1
Mr. V. F. Moore	6 / 6	4 / 4	5 / 7	2 / 2				1
Mr. Hansen C. H. Loh	6 / 6	4 / 4			(c)			1
Mr. Paul M. L. Kan ^(f)	1 / 1							N/A
Professor Judy Tsui	4 / 6	3 / 4					3 / 3	1
Sir Rod Eddington	5 / 6		3 / 7	0 / 2				0
Mr. Nicholas C. Allen ^(g)	6 / 6	4 / 4	7 / 7	2 / 2			3 / 3	1
Executive Directors								
Mr. Andrew Brandler	5 / 5		7 / 7				3 / 3	1
Mr. Peter P. W. Tse	5 / 5		6 / 7					1
Mr. Peter W. Greenwood	5 / 5		7 / 7				3 / 3	1

(a) Included a Board Meeting where the Chairman met with Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors and management present.

(b) Representatives of the external auditors participated in every Audit Committee meeting held throughout the year.

(c) Review and approval of nomination of Directors' appointment is by circular to all the members of the Nomination Committee. In 2010, Directors reviewed by circular the independence of Independent Non-executive Directors who stood for election / re-election at the 2010 AGM.


(d) Mr. R. Bischof retired as a Non-executive Director and a member of the Provident & Retirement Fund Committee with effect from 1 April 2010.

(e) Mr. Jason Whittle resigned as a Non-executive Director with effect from 1 July 2010.

(f) Mr. Paul M. L. Kan retired as an Independent Non-executive Director with effect from 1 April 2010.

(g) Mr. Nicholas C. Allen was appointed a member of the Human Resources & Remuneration Committee with effect from 1 February 2010.

Board Committees

The following chart explains the responsibilities and the work that each Board Committee undertook on behalf of the Board during 2010 and in 2011 up to the date of this Report (the "Relevant Period"). The terms of reference and membership of the Committees are disclosed in full on the CLP website. They are also available in writing upon request to the Company Secretary. 

Membership of Nomination Committee

A majority of the members are Independent Non-executive Directors. The current members are The Hon. Sir Michael Kadoorie (Chairman), The Hon. Sir S. Y. Chung and Mr. Hansen Loh.

Responsibilities and Work Done

This Committee is responsible for identification and recommendation to the Board of possible appointees as Directors, making recommendations to the Board on matters relating to appointment or reappointment of Directors, succession planning for Directors and assessing the independence of the Independent Non-executive Directors. The work performed by the Committee during the Relevant Period included the nomination of Mr. Nicholas C. Allen, Mr. V. F. Moore and Mr. Hansen C. H. Loh for election / re-election as Independent Non-executive Directors at the 2010 AGM.

At the 2011 AGM, The Hon. Sir S. Y. Chung, after having served on the Board for 44 years, will retire and not present himself for re-election. Five other Directors will retire by rotation and present themselves for re-election by shareholders. The independence of those who are Independent Non-executive Directors has been reviewed by the Nomination Committee.

Membership of Sustainability Committee

Mr. Andrew Brandler (Chairman), Professor Judy Tsui, Mr. Nicholas C. Allen, Mr. Peter Greenwood and Dr. Jeanne Ng.

Responsibilities and Work Done

This Committee oversees CLP's positions and practices in relation to social, environmental and ethical matters that affect shareholders and other key stakeholders. During the Relevant Period, the Committee reviewed

- 2020 Climate Change Targets;
- potential sustainability initiatives;
- community initiatives performance and stakeholder engagement;
- CLP's position on The Copenhagen Accord;
- the 2009 and 2010 CLP Group Sustainability Reports; 
- CLP Group Climate Change Strategy post Cancun; and
- CLP's publication entitled "Our Journey to a Low-Carbon Energy Future". 

Membership of Finance & General Committee

Mr. William Mocatta (Chairman), Mr. V. F. Moore, Sir Rod Eddington, Mr. I. D. Boyce, Mr. Nicholas C. Allen, Mr. Andrew Brandler, Mr. Peter P. W. Tse, Mr. Peter Greenwood, Mrs. Betty Yuen, Mr. Richard McIndoe and Mr. Mark Takahashi.

Responsibilities and Work Done

This 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 or investments and their funding requirements. The work performed by the Committee during the Relevant Period included the review of

- the Company's interim and annual results and the amounts of dividends payable to shareholders for the financial years ended 31 December 2009 and 2010;
- the CLP Group business plan and budget 2011-2015 and capital allocation reviews;
- China wind energy business plan;
- CLP Group strategy on involvement in hydroelectric projects;
- the extension of the joint venture term of Guangdong Nuclear Power Joint Venture Co., Ltd. and the nuclear power supply arrangement to Hong Kong;
- bids for assets or projects in Australia and India;
- the Group's interest in development projects in China, Thailand and Vietnam;
- sale of CLP's stake in EGCO;
- four interim dividends proposal;
- CLP Group cost of capital study;
- CLP's foreign exchange translation risk exposure; and
- the Company's funding requirement, undertakings, guarantees and indemnities.



Membership of Human Resources & Remuneration Committee

A majority of the members of the Committee are Independent Non-executive Directors. In line with good practice, there are no Executive Directors on this Committee. The current members are Mr. William Mocatta (Chairman), Mr. V. F. Moore, Sir Rod Eddington and Mr. Nicholas C. Allen.

Responsibilities and Work Done

This Committee considers major human resources and pay issues, including the approval of the Remuneration Report which is included in this Annual Report. During the Relevant Period, the Committee approved the 2009 and 2010 Remuneration Reports, and reviewed

- the Group performance for 2009 and 2010 and Group targets for 2010 and 2011;
- base pay review for 2010 and 2011 for Hong Kong payroll staff;
- annual pay review for TRUenergy and CLP India;
- the Senior Executive Remuneration, including annual incentive payments for 2009 and 2010 and annual pay review for 2010 and 2011;
- the Long-term Incentive Plan for Senior Executives;
- CEO's remuneration;
- CLP India remuneration strategy; and
- Non-executive Directors' fees.

Membership of Provident & Retirement Fund Committee

Mr. William Mocatta (Chairman), Mr. Mark Takahashi and a Trustee.

Responsibilities and Work Done

This Committee advises the Trustees on investment policy and objectives for the Group's retirement funds, namely the CLP Group Provident Fund Scheme and the Mandatory Provident Fund Scheme. During the Relevant Period, the Committee reviewed the position of the funds, monitored the performance of the investment managers and considered and made recommendations to the Trustees on the appointment and removal of investment managers.

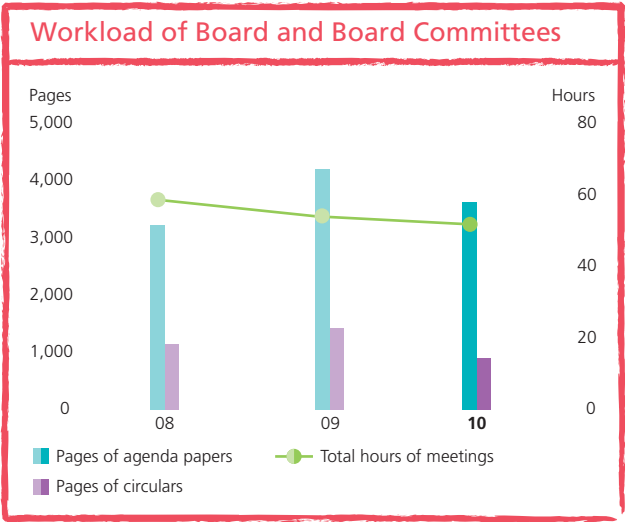
Audit Committee

Details of the Audit Committee, including its membership, terms of reference and work done during the Relevant Period are set out in the Audit Committee Report at page 122 of this Annual Report.

Directors’ Commitments

Directors ensure that they can give sufficient time and attention to the affairs of the Company and a confirmation to that effect is included in their letters of appointment. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. During the year ended 31 December 2010, no current Director held directorships in more than four public companies including the Company. No Executive Directors hold any directorship in any other public companies, but they are encouraged to participate in professional, public and community organisations. In respect of those Directors who stand for re-election at the 2011 AGM, all their directorships held in listed public companies in the past three years are set out in the Notice of AGM. Other details of Directors’ appointments are set out under “Board of Directors” at page 96 of this Annual Report and on CLP’s website.

As part of the continuous professional development programme, Directors participated in the Shareholders’ Visit Programme, various briefings and visits to CLP’s facilities and a record of the participation by individual Directors is maintained by the Company. To indicate the attention given by our Board to the oversight of CLP’s affairs, we provide a further chart summarising the duration of those meetings and the volume of papers reviewed by Directors during 2010.



We have made a deliberate effort to reduce the sheer volume of papers submitted to Directors. This is not easy, given the growth of our business and increasing regulatory requirements, but we have made some progress. 2010 saw a

19% reduction in the paperwork sent to Directors compared to the previous year, without compromising the quality and adequacy of information.

Directors’ Interests

The interests in CLP’s securities held by Directors as at 31 December 2010 are disclosed in the Directors’ Report of this Annual Report at page 132. Particular attention is given to dealings by Directors in shares in CLP. Since 1989, the Company has adopted its own Code for Securities Transactions by Directors, largely based on the Model Code set out in Appendix 10 of the Listing Rules. Our Code is periodically updated to reflect new regulatory requirements, as well as our strengthened regime of disclosure of interests in our securities. This Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2010 they complied with the required standard set out in the Model Code and our own Code for Securities Transactions.

Appointment of Directors

CLP follows a formal, considered and transparent procedure for the appointment of new directors. Appointments are first considered by the Nomination Committee. The recommendations of the Committee are then put to the full Board for decision. Thereafter, all Directors are subject to election by shareholders at the AGM in their first year of appointment.

As approved by shareholders at the AGM in 2005, all Non-executive Directors are appointed for a term of not more than four years. This term is subject to curtailment upon that Director’s retirement by rotation and re-election by shareholders. One-third of the Directors, including both Executive and Non-executive Directors, are required to retire from office at the AGM in each year. A retiring director is eligible for re-election.

All Non-executive Directors have a formal letter of appointment, modelled on the letter of appointment in the “Higgs Report” in the U.K. on the “Review of the Role and Effectiveness of Non-Executive Directors”. Non-executive Directors are paid fees for their services on Board and Board Committees, based on a formal independent review undertaken no less frequently than every three years. A review was undertaken at the beginning of 2010. The remuneration policy and fees paid to each Non-executive Director in 2010 are set out in the Remuneration Report at page 124 of this Annual Report.