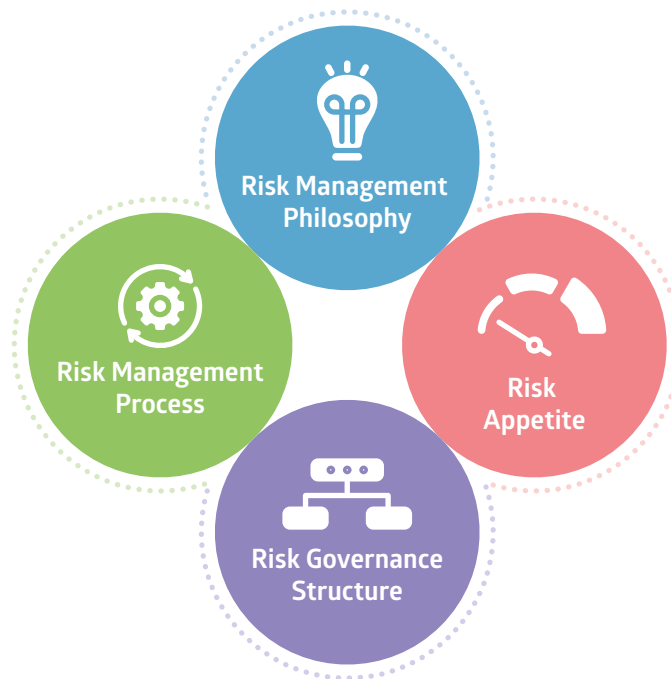


## 🎯 Risk Management Report

*Risk management is an integral part of all processes and the responsibility of everyone within CLP as it is critical to the long-term growth and sustainability of the company.*

### CLP's Risk Management Framework

Risk is inherent to CLP's business and the markets in which it operates. CLP aims to identify risks early so they can be understood, managed, mitigated, transferred, or avoided. This demands a proactive approach and an effective Group-wide risk management framework. The risk management framework at CLP comprises four key elements:



### CLP's Risk Management Philosophy



CLP recognises that risk management is the responsibility of everyone within the Group. Risk management is therefore integrated into all business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.

CLP has clear risk management objectives:

- 🎯 At a **strategic level**, CLP focuses on the identification and management of material risks inherently associated with the pursuit of the Group's strategic and business objectives. In pursuing growth opportunities, CLP aims to optimise risk and return decisions as defined and quantified through diligent and independent review and challenge processes.
- 🎯 At an **operational level**, CLP aims to identify, analyse, evaluate, and mitigate all operational hazards and risks. It does this in order to create a safe, healthy, efficient, and environmentally-friendly workplace for employees and contractors while ensuring public safety and health, minimising environmental impact, and securing asset integrity and adequate insurance.

## CLP's Risk Appetite



CLP's risk appetite represents the nature and extent of the risks the Group is willing to undertake in pursuit of strategic and business objectives. In line with CLP's Value Framework and the expectations of stakeholders, the Group only takes reasonable risks that fit its strategy and capability, can be understood and managed, and do not expose the Group to:

- Hazardous conditions affecting safety and health of employees, contractors, and / or the general public;
- Material financial loss impacting the financial viability and strategy execution of the Group;
- Material breach of external regulations that could lead to loss of critical operational and business licences, and / or substantial fines;
- Material damage to the Group's reputation and brand name;
- Business or supply interruptions that could lead to severe impact on the community;
- Severe environmental incidents.

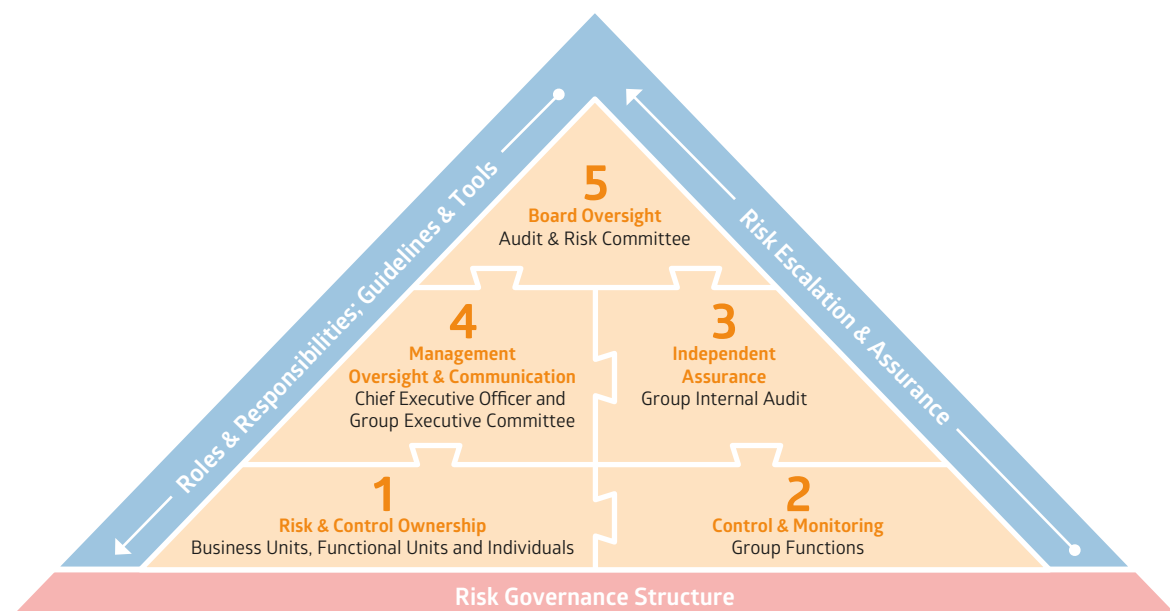
CLP established risk profiling criteria in line with its risk appetite to help assess and prioritise each identified risk according to its consequence and likelihood. In assessing the consequence of a risk, CLP considers Financial consequences, in addition to non-financial ones, comprising Safety and Health, Environment, Regulatory and Governance, Reputation, and Operations and Systems.

## CLP's Risk Governance Structure



CLP's risk governance structure:

- Facilitates risk identification and escalation while providing assurance to the Board.
- Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools.
- Adopts the **Five Lines of Assurance** approach as explained below:



Five Lines of Assurance

1

**Risk and Control Ownership**

**Business Units, Functional Units and Individuals:**

- Are responsible for identifying and assessing key risks in their areas of responsibility, making effective risk management decisions, establishing risk mitigation strategies, and promoting a risk-aware culture;
- Carry out risk management activities and reporting in their day-to-day operations and ensure risk management processes and mitigation plans follow good practices and guidelines established by the Group;
- Appoint risk managers or coordinators to facilitate communication, experience sharing, and risk reporting.

2

**Control and Monitoring**

**Group Functions:** Finance, Risk Management (see also the role of “Group Risk Management” below ○), Internal Control, Tax, Operations, Information Technology, Legal, Human Resource, Sustainability

- Establish relevant Group-wide policies, standards, procedures, and guidelines;
- Oversee the risk and control activities of business units relevant to their respective functions.

3

**Independent Assurance**

**The Group Internal Audit:**

- Carries out independent appraisal of the effectiveness of the risk management framework.

4

**Management Oversight and Communication**

**The Chief Executive Officer and the Group Executive Committee:**

- Provide leadership and guidance for the balance of risks and opportunities;
- Review and report to the Board through the Audit & Risk Committee on the material risks affecting the Group as well as their potential impact, their evolution, and mitigating measures;
- Ensure that a review of the effectiveness of the risk management framework has been conducted at least annually and provide confirmation of this to the Board through the Audit & Risk Committee.

5

**Board Oversight**

**The Audit & Risk Committee, acting on behalf of the Board:**

- Evaluates and determines the nature and extent of the risks the Board is ready to endorse in pursuit of the Group’s strategic objectives;
- Ensures an appropriate and effective risk management framework is established and maintained;
- Oversees management of risk identification, reporting, and mitigation efforts.



**Group Risk Management**

The Group Risk Management function is tasked with:

- Implementing the Group’s Risk Management Framework, and assisting business units in implementing their own frameworks;
- Managing regular risk review and risk reporting processes of the Group;
- Facilitating independent risk appraisal for projects seeking endorsement by the CLP Holdings Investment Committee;
- Facilitating risk communication, experience sharing, and risk reporting.

## CLP's Risk Management Process



- **Integration is key.** The process is integrated into business and decision-making processes, including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.
- **Understanding the external environment and megatrends** which may have significant implications for CLP's business and markets (see also "Megatrends and Material Topics" below ).

### ● **The core process involves:**

- ✓ Establishing scope, context, and risk criteria;
- ✓ Identifying risks based on relevant, appropriate and up-to-date information;
- ✓ Analysing risks with detailed consideration of risk sources, consequences, likelihood, events, scenarios, and existing controls and their effectiveness;
- ✓ Evaluating risks against the established risk criteria to rank them and prioritise management efforts;
- ✓ Developing control and mitigation plans.

- **Communication and Consultation:** It is a continuous and interactive process involving communication and consultation with stakeholders.
- **Monitoring and Review:** It is subject to regular monitoring and review according to the established risk governance structure and process.
- **Recording and Reporting:** The process and its outcomes are documented and reported to facilitate communication and provide information for decision-making.



## Megatrends and Material Topics

CLP recognises that certain external global trends could have a significant impact on its operating and strategic environment. These megatrends encompass significant political, economic, social, environmental and technological changes which could evolve rapidly, changing the context in which the company operates.

Following a thorough review of transformative global megatrends, CLP identified decarbonisation and digitalisation as the key long-term drivers of change. This process resulted also in the definition of a set of material topics to be managed, of which the ones below are the most relevant for the Group:

- Responding to climate change
- Harnessing the power of technology
- Reinforcing cyber resilience and data protection
- Building an agile, inclusive and sustainable workforce

Specific risks identified under each topic are assessed in the integrated risk management process. CLP's top-tier risk tables on pages 152 to 157 indicate the risks associated with these material topics.

Detailed discussions on CLP's responses to these material topics and future outlook are set out in the [2020 Sustainability Report](#).

## CLP's Risk Management Process as an integral part of business and decision-making processes – Examples

### Quarterly Risk Review Process at Group Level

#### An integrated top-down and bottom-up risk review process

CLP adopts an integrated top-down and bottom-up risk review process to enable:

- (1) Comprehensive identification and prioritisation of all material risks throughout the Group;
- (2) Containment of material risks at the appropriate managerial level;
- (3) Effective risk dialogue among the management team;
- (4) Proper governing of risk mitigation efforts.

#### Top-down Process

- At the Group Risk Management quarterly meetings, members of the Group Executive Committee discuss the top-tier risks and examine any other risk issues they consider important. This dialogue offers an opportunity for management to identify and respond to emerging risks early on, voice risk concerns, share risk insights, and seek risk management guidance.
- Group Risk Management facilitates the review of emerging risks by compiling relevant information from both internal and external sources.
- Emerging risks that are identified and considered material are further assessed and monitored by relevant business units or Group Functions.

#### Bottom-up Process

- CLP's business units and Group Functions are required to submit their lists of material risks identified through their risk management process to Group Risk Management on a quarterly basis.
- Through a diligent process of aggregation, filtering, prioritising, and consultation, Group Risk Management compiles a Quarterly Group Risk Management Report for review and discussion by the Group Executive Committee.
- Upon approval, the report is submitted to the Audit & Risk Committee on a quarterly basis. "Deep dive" presentations on selected risks are presented to the Audit & Risk Committee for more detailed review.

### Risk Review Process for Investment Decisions

- CLP adopts a multi-gated system of periodic project appraisals during development and investment cycles.
- CLP requires an independent, multi-disciplinary review of any investment proposal. Independent risk appraisal by Group Risk Management is part of the investment review process.
- Group Risk Management ensures a detailed project risk assessment is carried out for each investment project. Detailed checklists and worksheets are used to identify risks and mitigations and assess risk levels. Material risks and associated mitigations are highlighted and discussed at the Investment Committee, chaired by the CEO.

### Risk Management Integrated with Internal Control Systems

- Risk management is closely linked to CLP's Integrated Framework of Internal Control. Key controls are subject to testing in order to assess their effectiveness. Details on Internal Control are set out in the Corporate Governance Report on pages 143 to 144.

## Risk Management in the Business Planning Process

- As part of the annual business planning process, business units are required to identify all material risks that may impact the delivery of their business strategy and objectives. Overarching strategic risks to the Group are also reviewed. Identified risks are evaluated based on the same set of risk criteria as the quarterly risk review process and plans to mitigate the identified risks are developed. The material risks listed on pages 151 to 157 have been laid out in CLP's 2021 business planning process.

## Material Risks to the Group

As an investor and operator in the energy sector of the Asia-Pacific region, CLP's risk profile is categorised into six key risk areas: Operational, Commercial, Regulatory, Financial, Market and Human Resources. The top-tier risk profile is summarised on pages 152 to 157:





### How CLP Identifies, Assesses and Manages Climate Change Risks


Climate change risks are embedded in CLP's risk management process and risk register. CLP identifies, assesses, and manages climate change risks alongside all other types of risk as an integral part of its Group-wide Risk Management Framework.

According to the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), climate change risks can be classified into two major categories:

- Transition Risks** – Transitioning to a lower-carbon economy may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, and may pose varying levels of financial impacts as well as reputational risk to the Group.
- Physical Risks** – Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns, causing direct damage to assets and indirect impacts from supply chain disruption.

CLP recognises the wide-ranging implications of climate change and considers climate change risks a combination of standalone risks and cross-cutting risk drivers of other material risks. As shown in CLP's top-tier risk tables on pages 152 to 157, climate change transition risk and physical risk have been identified as standalone risks and categorised under Regulatory Risk and Operational Risk respectively. In addition, the tables illustrate other material risks with either **Transition**  or **Physical**  risk drivers, or both.

As with other material risks, CLP adopts the same set of risk profiling criteria in assessing the climate change risks. Climate change risks are managed across the Group according to CLP's risk governance structure and risk management process, with management oversight and assurance provided to the Board. In addition, Climate Vision 2050 is integrated into CLP's strategies on asset portfolio management, guiding the Group in managing climate-related risks as well as opportunities.

**Additional references:** Natural Capital on pages 102 – 103, [2020 Sustainability Report](#). 

## Material Risks to the Group (continued)

### Operational Risk

CLP's operations are exposed to a variety of operational risks relating to health, safety and environment (HSE) incidents / compliance, physical security, plant performance, data privacy, cybersecurity attacks on operational technology (OT) and IT systems, project delivery, and extreme weather events as a result of climate change.

During 2020, the COVID-19 pandemic brought additional challenges to CLP's operations on issues related to staff health, operational efficiency and supply chain.

#### CLP manages operational risk by:

- a) Implementing the HSE improvement plan, involving all stakeholders, to rethink risks, and build and promote a sound safety culture across the Group and with contractors and sub-contractors. Group-wide initiative on eliminating exposure to serious injuries and fatalities;
- b) Implementing operations and system reinforcements to maintain high operational and emissions performance;
- c) Maintaining appropriate response levels and control measures in response to the COVID-19 pandemic;
- d) Strengthening security surveillance at high-risk facilities;
- e) Maintaining emergency response, crisis management, disaster recovery and business continuity plans with regular drills;
- f) Implementing Group-wide Project Management Governance System to facilitate the delivery of high-quality projects;
- g) Implementing Group-wide cybersecurity policies and standards with appropriate controls, technologies and practices at all levels, while cultivating a cyber resilience culture across the Group.

Group Top Tier Risks – Operational	Changes in 2020	Additional References
1. Major HSE incidents  		Pages 82, 91 – 92, 104 – 106
2. COVID-19 outbreak	New	Pages 19 – 21, 82 – 85, 90 – 91, 98 – 99
3. Cybersecurity attack – OT systems 		Page 85
4. Cybersecurity attack – IT systems 		Page 85
5. Physical security breach (including social unrest)		Page 85
6. Major failure – generation assets		Pages 68, 83 – 84
7. Climate change – physical risk  		Pages 53, 59, 102, 159
8. Renewables – lower performance 		Pages 52 – 54, 59 – 60
9. Major projects delay / cost overrun 		Pages 46 – 47


 Risk level increased


 Risk level decreased

 Risk level remains broadly the same

 Transition risk

 Physical risk

 Responding to climate change

 Harnessing the power of technology

 Reinforcing cyber resilience and data protection

 Building an agile, inclusive and sustainable workforce

## Material Risks to the Group (continued)










### Commercial Risk

Commercial risk refers to potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties. Currently, commercial disputes, delay in collection of receivables, counterparties' financial health, fuel supply interruption, reduced energy margins and price volatility are key commercial risks impacting CLP.

Additionally, a number of digital transformation programs are being implemented to improve customer engagement and experience, cost effectiveness, and system flexibility and reliability.

#### CLP manages commercial risk by:

- Diligently pursuing resolution of payment delays and commercial disputes;
- Monitoring the financial health of counterparties including offtakers, fuel suppliers, equipment suppliers, engineering, procurement, construction (EPC) companies, and operation and maintenance contractors;
- Liaising with fuel suppliers to mitigate ongoing sources of environmental, economic, operational, delivery and credit risks affecting fuel supply security. Pre-establishing contingency planning for potential supply disruptions;
- Diversifying fuel sources and fuel procurement strategy in order to secure a stable supply of fuel at competitive price;
- Establishing strong leadership in driving digital transformation strategy, having formal governance over technology architect and design decisions as well as execution of major programmes, while developing a data-driven, innovation culture.

Group Top Tier Risks – Commercial	Changes in 2020	Additional References
10. Gas supply shortage – Hong Kong 		Pages 46, 50
11. Coal supply shortage – Australia (Mount Piper)		Pages 68, 105
12. Litigation – EA Iona disposal		Pages 223, 279
13. Tariff adjustment challenge – Hong Kong 		Pages 45 – 46
14. Delayed tariff payments in India and national renewable energy subsidies in Mainland China		Pages 221, 264
15. Digital transformation risk 		Pages 21, 47, 50, 83, 88



## Material Risks to the Group (continued)

### Regulatory Risk

CLP's capability to achieve more stringent performance targets in Hong Kong presents a short-term regulatory risk exposure while there is possible risk of adverse regulatory changes in the medium to longer term.











The Group's Australian business continues to face regulatory challenges which may restrict its margin recovery, increase the complexity and cost of market operations, and present significant regulatory compliance challenges.

In Mainland China, the implementation of power sector reforms has been gathering pace, with continuous expansion of market sales. Geopolitical tensions between China and its major trading partners may bring new challenges to CLP's business, including its supply chain and overseas investments.

As CLP adjusts to climate change, the pace of changes in government policies, regulations, technologies and market structures could be faster than the Group's responses.

#### CLP manages regulatory risk by:

- a) Close monitoring of regulatory development and market / public sentiment;
- b) Working constructively with governments to advocate CLP's position on regulatory changes;
- c) Mobilising internal resources to ensure timely responses to regulatory changes and maintaining regulatory compliance and oversight;
- d) Communicating and highlighting the importance of a balance between a reliable and safe supply, care for the environment, and reasonable tariffs;
- e) Reinforcing CLP's efforts to care for the community and promote energy efficiency;
- f) Developing capacity and decarbonisation scenarios to progressively phase out our remaining coal-based assets before 2050;
- g) Conducting extensive stakeholder engagement on regulatory matters and CLP strategy for long-term decarbonisation;
- h) Conducting supply chain review for assets on imported equipment and spares, and exploring alternative sources and localisation opportunities.

Group Top Tier Risks – Regulatory	Changes in 2020	Additional References
16. Regulatory changes – Hong Kong 		Pages 45 – 50, 106
17. Regulatory changes – Australia 		Pages 67 – 73
18. Regulatory changes – Mainland China 		Pages 52 – 57
19. Climate change – transition risk  		Pages 69, 70, 102 – 103, 107
20. International sanctions risk	New	Pages 63, 159
21. Regulatory compliance – Australia		Pages 67 – 68

## Material Risks to the Group (continued)

### Financial Risk

CLP's investments and operations, which are long-term in nature, are exposed to financial risks in the areas of cash flow and liquidity, credit and counterparty risks, interest rate risks, and foreign currency risks. Group-level earnings may also be impacted by marked-to-market fair value movements. Volatile foreign exchange and equity markets have further increased the cost of securing financing.

The enduring effects of the COVID-19 pandemic and geopolitical tensions have elevated financial market uncertainties.

The credit ratings of CLP Holdings, CLP Power Hong Kong and CAPCO remained unchanged in 2020 with stable outlooks.

#### CLP manages financial risk by:

- a) Reviewing liquidity, maintaining investment grade credit ratings and preserving a healthy capital structure;
- b) Taking pre-emptive action for early completion of major financings with preferential terms;
- c) Securing debt funding diversity and maintaining an appropriate mix of committed credit facilities;
- d) Maximising the use of local funding options;
- e) Hedging most transactional foreign currency exposures in line with CLP's Treasury Policy;
- f) Pursuing "natural hedge" by matching the currency of revenue, cost, and debt as well as ensuring project-level debt financing is denominated in and / or swapped into a functional currency;
- g) Controlling financial counterparty exposure by transacting only with creditworthy and pre-approved financial institutions, allocating exposure limits based on banks' credit standing, and ensuring non-recourse to CLP Holdings for counterparties of CLP Holdings' subsidiaries and affiliates;
- h) Maintaining good, trustworthy relationships with lenders (banks and bondholders);
- i) Ensuring transparency in financial communications and disclosures.

Group Top Tier Risks – Financial	Changes in 2020	Additional References
22. Financial market volatility	← →	Pages 76 – 81, 284 – 287, 290 – 292
23. Availability of competitive funding	← →	Pages 76 – 81, 287 – 289
24. Default of Group's financial counterparties	← →	Pages 76 – 81, 287

## Material Risks to the Group (continued)





### Market Risk

In Australia, the retail market remains intensely competitive while the wholesale prices have declined sharply and stayed low in 2020 largely due to increased renewable energy generation.

In Mainland China, changes in the structure of the economy, tighter environmental rules, oversupply and increasing market sales through competitive bidding have led to lower tariffs, mostly affecting earnings of the thermal power plants.

#### CLP manages market risk by:

- a) Managing market offers (e.g. pricing) and other service differentiators for customer acquisition and retention;
- b) Actively managing CLP's wholesale energy portfolio and implementing hedging strategies to align wholesale and retail positions;
- c) Following approved energy risk policy, with energy market transactions subject to approved limits and controls;
- d) Exploring different revenue streams and value-added services for customers. Continuing business innovations to meet evolving customer needs;
- e) Improving current operations, fuel procurement, and development strategy while closely monitoring operating cash flow in view of market volatility;
- f) Investing in plant reliability and upgrades and delivering good plant performance;
- g) Specific to Mainland China:
  - Proactively engaging with governments to advocate CLP's position on coal supply issues, tariff adjustments, and dispatch;
  - Pricing market sales at an optimal margin to secure more generation and maintain higher dispatch priority;
  - Pursuing steam sales to increase plant usage.

Group Top Tier Risks – Market	Changes in 2020	Additional References
25. Australia – Customer competition and energy market volatilities 		Pages 67 – 68, 73, 285 – 286
26. Mainland China – Volume / tariff competition 		Pages 52 – 53



## Material Risks to the Group (continued)

### Human Resources Risk

Executing the decarbonisation and digital transformation agenda and realising current and potential non-SOC opportunities in Hong Kong and the Greater Bay Area will bring significant challenges in succession management, talent attraction and retention, leadership, structure and operating model change, and culture change. The organisation capability development challenge is likely to be exacerbated in coming years by continued geopolitical volatility, social issues, the pandemic situation and demographic shifts.

#### CLP manages human resources risk by:

- a) Managing senior management succession, particularly ensuring continuity of stakeholder relationships, and managing heightened leadership complexity;
- b) Resourcing with innovation, digital and business development skillsets in Hong Kong and Mainland China, together with accelerating the development of engineering talent in CLP Power Hong Kong to address retirement needs;
- c) Evolving to more agile operating models and human resources management systems, and embedding significant organisation and business process changes;
- d) Managing the culture agenda: embedding CLP's values and appropriate risk culture in an increasingly diverse workforce, building resilience, and evolving mindsets and behaviours to embrace change at pace, calculated risk-taking and collaboration among employees, customers and external partners.

Group Top Tier Risks – Human Resources	Changes in 2020	Additional References
27. Organisational capability development for growth and transformation 		Pages 90 – 97

## Effectiveness Review of Risk Management and Internal Control Systems

CLP adopts the Five Lines of Assurance approach to coordinate and optimise its risk and assurance efforts as described on pages 147 to 148 of this Report. Combined assurance includes Board oversight by the Audit & Risk Committee, management oversight by the CEO and the Group Executive Committee, independent assurance by internal audit, control and monitoring by group functions, and risk and control ownership by business units. It should be acknowledged that CLP's risk management and 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.

The Audit & Risk Committee, on behalf of the Board, has reviewed the effectiveness of the Group's risk management and internal control systems during the period covered by this Annual Report. The details of the effectiveness review are described in the Corporate Governance Report on page 145 and the Audit & Risk Committee Report on page 161.



**Geert Peeters**

Executive Director & Chief Financial Officer  
Hong Kong, 22 February 2021

# Audit & Risk Committee Report

## Members

The Members of the Audit & Risk Committee are appointed from the Independent Non-executive Directors by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:


**Mr  
Nicholas C. Allen**  
(the Chairman)  
(appointed as Chairman  
following the  
retirement of Mr  
Vernon Moore)

**Mrs  
Fanny Law**

**Ms  
May Siew Boi Tan**

**Mr  
Chunyuan Gu**  
(appointed in  
October 2020)

**Mr  
Vernon Moore**  
(the Chairman, until his  
retirement as a Director  
at the conclusion of  
the 2020 AGM in  
May 2020)

[Biographies](#) of the current Members are set out in Board of Directors on page 110 and on our website. 

The Committee works closely with the auditors and management-level group functions and, in addition to the Members, regular attendees at the Committee's meetings are:

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Financial Officer – Mr Geert Peeters;
- Deputy Chief Financial Officer – Mr Nicolas Tissot, appointed in September 2020;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds;
- Senior Director & Group Controller – Mr Pablo Arellano;
- Senior Director – Group Internal Audit (GIA) – Ms Kathy Liu; and
- Independent Auditor – the engagement partner and others from PwC.

Other members of management attended the Committee meetings from time to time to make presentation and discuss matters of interest to the Committee.

## Meetings and Attendance

During the reported period (full year 2020 and for 2021 up to the date of this Report) (the Period), the Committee held six meetings in 2020 and another two meetings in 2021. The Chairman met regularly and individually with each of PwC, the Senior Director – GIA, the CFO and the Deputy CFO. The Committee commenced its meetings with scheduled sessions in the absence of management for the Committee Members and PwC, as well as sessions for Committee Members only. Two private meetings between Committee Members and PwC were held and six sessions for Committee Members only were held during the Period.

Individual attendance of Members for the 2020 meetings is set out in the Corporate Governance Report on page 131.

## EnergyAustralia

CLP's wholly-owned subsidiary, EnergyAustralia, has its own board of directors that includes independent non-executive directors. The EnergyAustralia board has established an audit and risk committee (ARC) and its members are EnergyAustralia's non-executive directors independent of EnergyAustralia's management.

The Committee's work with respect to the operations of EnergyAustralia is strengthened and supplemented by EnergyAustralia ARC. There is an open invitation between this Committee and the EnergyAustralia ARC for members to attend the other committee's meetings.

During the Period, the former Chairman of the Committee, Mr Vernon Moore participated in two EnergyAustralia ARC meetings and the Chairman of the Committee, Mr Nicholas C. Allen participated in three EnergyAustralia ARC meetings.

## Highlights of the Committee's Work

### Leadership and Membership Refreshed

The Committee saw a change in leadership with the appointment of a new Chairman following the retirement of Mr Vernon Moore, the former Committee Chairman, at the conclusion of the 2020 AGM.

The Committee also welcomed the appointment of Mr Chunyuan Gu, a newly appointed Independent Non-executive Director in October. This brought the Committee back to a four-member Committee which was the size of the Committee before Mr Vernon Moore retired from the Board and the Committee.

### A Risk-Focused Agenda in a Challenging Year

With the various challenges in a turbulent year, the Committee spent considerable time in understanding, analysing and monitoring the key risks that faced the Group; a highlight of these is set out below.

**COVID-19** – The Committee first considered the impact of COVID-19 in the context of the closing process of the financial statements for the financial year ended 2019. As the pandemic situation continued in 2020, COVID-19 was regarded as a standalone risk item for the CLP Group on issues such as health, supply chain, workforce availability, regulatory compliance, financial position and tariff and debt collection. Throughout 2020 as the pandemic situation developed, the Committee examined contemporaneously the different and varying effects of the pandemic on the Group.

**Geo-political situation** – During the course of 2020, the geo-political tensions had heightened and this led to sanctions and restrictions being imposed against China and related interests. The Committee assessed the impact of the international sanctions risk concerning the Group's business units, in particular, Hong Kong, China and India.

**Bushfires in Australia** – In the Australian summer of 2019/2020, the eastern states of Australia were hit by widespread devastating bushfires. Part of the bushfires affected the nearby area of EnergyAustralia's Mount Piper power plant where the operations were threatened. Given the seriousness of the bushfires, the Committee requested management to provide a detailed briefing on the bushfires. The Committee assessed the potential impact of the bushfires on the EnergyAustralia's business with particular attention on the operation of the power plant and EnergyAustralia's customers.

**Cybersecurity** – The Committee had undertaken a regular deep dive examination into the topic of cybersecurity in recent years. With cybersecurity being kept at a high risk rating, the Committee requested that the periodic deep dive examination should continue and that a dashboard report on various key indicators should be presented to the Committee. The Committee was particularly focused in understanding and monitoring the progress on various cybersecurity initiatives.

The above topics were analysed by the Committee holistically and enabled the Committee Members to understand the issues, challenges and risks faced by the Group from both an operational perspective and a financial reporting perspective.

## Audit & Risk Committee Report

The following table provides an overview of how the Committee spent its time during the Period:

	2020						2021	
	Jan	Feb	Apr	Jun	Jul	Oct	Jan	Feb
<b>Risk Management, Internal Control and Compliance</b>								
Quarterly risk management report		●	●		●	●		●
In depth briefing on high risks and processes								
● health and safety	●		●					
● cybersecurity			●			●	●	
● impact of bushfires on EnergyAustralia trade receivables			●					
Internal control review update		●		●		●		●
Management's general representation letter		●			●			●
Outstanding internal audit issues		●	●	●	●	●		●
Legal and regulatory compliance		●			●			●
<b>Annual and Interim Financial Reports</b>								
Annual and Interim financial statements and reports		●			●			●
Assessment of critical accounting judgements	●	●		●	●	●	●	●
Sustainability Report data assurance review		●						●
<b>Internal and External Auditing</b>								
Internal audit results and audit issues		●	●	●	●	●		●
Internal audit administered policies and practices			●					
Ethical and controls commitment surveys			●			●		
PwC's audit report, audit plan and audit progress	●	●	●	●	●	●	●	●
Audit fees and non-audit engagements by auditors		●	●		●		●	●
<b>Corporate Governance</b>								
Corporate governance trends, developments and related policies						●		
Code of Conduct and whistleblowing cases		●	●	●	●	●		●
Continuing connected transactions		●						●

## Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Risk Management, Internal Control and Compliance	
Effectiveness of risk management and internal control systems	<p>The Committee perused management's periodic internal control reports and the Group's quarterly risk management reports. As part of the review of the interim and annual financial statements, the Committee examined and received the General Representation Letters from the CEO and CFO (see page 144 for further details regarding the General Representation Letters).</p> <p>The Committee's monitoring of the risk management and internal control systems was supported by the review work and reporting by GIA and by the independent auditor's report of their testing of the control environment of the Group.</p> <p>During the Period, no internal control issue that would be material to the integrity of the financial statements was identified.</p> <p>The Committee analysed and was satisfied that the Group's risk management and internal control systems were effective and adequate for the Period.</p>
Deep dive briefings	<p>In addition to the deep dive topics examined by the Committee as explained in the Highlights of the Committee's Work, the Committee also considered the following deep dive topics:</p> <ul style="list-style-type: none"> <li>◉ <b>Health, Safety and Environment</b> – following from the Committee's review of GIA's special review report on the safety practices of the CLP India wind farms, the Committee requested for a briefing from the CLP India management regarding the recommended actions taken in response to the report; and</li> <li>◉ <b>EnergyAustralia outsourcing IT projects</b> – the Committee noted the challenges with EnergyAustralia's outsourcing projects over the years and requested for a deep dive examination of the recent projects for EnergyAustralia's retail business. A separate briefing was conducted outside of the Committee's scheduled meeting and this enabled the Committee Members to have an open dialogue on various aspects of the ongoing business services related projects.</li> </ul>
Reporting on risk management	<p>In addition to perusing the risk management reports, the Committee spent considerable efforts in analysing and monitoring the unique risks and challenges faced by the Group as explained in the Highlights of the Committee's Work.</p>
Cybersecurity	<p>Briefing on cybersecurity has been a regular feature on the Committee's meeting agenda for a number of years. This was also covered in the Highlights of the Committee's Work.</p> <p>In considering the update made by management, the Committee made a number of recommendations:</p> <ul style="list-style-type: none"> <li>◉ between the cybersecurity function and the IT staff, there should be stronger collaboration on the work plan for cybersecurity; and</li> <li>◉ cybersecurity initiatives should be implemented with the view of bringing synergies across the different functions and business units across the CLP Group.</li> </ul>



<b>Areas of Focus</b>	
<b>Risk Management, Internal Control and Compliance</b>	
Compliance	<p>As part of the consideration of the full year and half year financial statements, the Committee reviewed and considered a comprehensive legal and regulatory report on the Group. This report is in relation to key regulatory compliance issues and legal cases for each region of the Group.</p> <p>The Committee reviewed the Group's compliance with applicable legal and regulatory requirements including the CLP Code, the Stock Exchange Code, the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance.</p> <p>The Committee acknowledged that the only exception to compliance with all the mandatory and recommended requirements of the Stock Exchange Code is that CLP does not publish quarterly financial results (as a recommended requirement); and continued to agree with the considered reasons for this exception (please refer to page 122).</p>
<b>Annual and Interim Financial Reports</b>	
Annual Reports and Interim Report	The Committee reviewed the 2019 and 2020 Annual Reports and the 2020 Interim Report and on the recommendations from the Committee, these were approved by the Board.
2020 Financial Statements – accounting judgements	<p>Management and PwC presented to the Committee the key judgements with material accounting impact. These included the assessment on the impact of COVID-19 pandemic on the 2020 Financial Statements, the review of the carrying values of the Group's generation assets and EnergyAustralia's goodwill for retail business unit, the accounts receivables for the renewables projects in Mainland China and CLP India, and the disclosures and accounting treatments of material litigations and disputes.</p> <p>The Committee critically assessed these and found the judgements put forward to be acceptable for each of the issues presented.</p>
Sustainability Report data assurance	<p>The Committee considered and acknowledged PwC's report on the sustainability assurance in respect of the 2019 and 2020 <a href="#">Sustainability Reports</a>. </p> <p>The Committee noted that the process of gathering sustainability statistics (and other non-financial data) had been strengthened and the metrics being assured had been expanded.</p>
<b>Internal and External Auditing</b>	
Internal audit	<p>The Committee received and considered reports from the Senior Director – GIA. GIA issues two types of reports: a) audit reports provide independent appraisal of the audit unit's compliance with prescribed policies and procedures, and evaluation of the effectiveness of the overall controls; and b) special review reports focus on new business areas and emerging risks, where control advisory is provided.</p> <p>For the year 2020, a total of 28 audit and seven special review were completed. All the audit reports carried a satisfactory audit opinion. During the year, site access to some of the plants were restricted due to the safety measures taken and travel restrictions imposed under COVID-19, but the overall impact of these limitations were considered as not material to the audit opinions rendered.</p> <p>None of the control weaknesses identified had a material impact on the financial statements.</p>

## Areas of Focus

### Internal and External Auditing

Internal audit function	<p>The Committee reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the GIA function as well as the accounting and financial reporting functions of the Group.</p> <p>The Committee reviewed and approved the updates to the Internal Audit Manual.</p> <p>The Committee took note that an independent peer review of GIA would be conducted this year. The review is expected to be completed in the first quarter of 2021.</p>
Financial Statements – auditor’s opinion	<p>For both the 2019 and 2020 financial statements, PwC presented the auditor’s opinion on the financial statements, with emphasis on the Key Audit Matters that had material impacts to the financial results and position of the Group. The Key Audit Matters identified were carefully considered and reviewed by the Committee.</p>
Fees to independent auditor and its re-appointment	<p>The Committee reviewed the following fees payable to PwC:</p> <ul style="list-style-type: none"> <li>• audit fees for 2019 and 2020 for approval by the Board; and</li> <li>• permissible audit related and non-audit services provided by PwC for 2019 and 2020.</li> </ul> <p>At the 2020 AGM, over 99% of the shareholders voting supported the re-appointment of PwC and they were re-appointed as independent auditor for 2020.</p> <p>Having considered PwC’s performance and independence as independent auditor, the Committee recommended to the Board that PwC be re-appointed as independent auditor and this will be considered by shareholders at the forthcoming AGM. PwC issued a letter of independence to the Committee.</p> <p>The PwC lead audit partner has completed his seven years of service as the lead audit partner on completion of the 2020 audit in accordance with The International Federation of Accountants rules on independence of external auditors, Ms Yee Shia Yuen will become the new lead audit partner for the financial year 2021. The Committee supports this approach for it believes that changing the lead audit partner regularly ensures the independence, objectivity and fresh perspectives the Committee requires in CLP’s independent auditor.</p> <p>Further details of the fees payable to PwC and the assessment of their independence can be found on page 142.</p>
<h3>Corporate Governance</h3>	
Corporate governance practices	<p>The Committee received a report of Corporate Governance Policies and Practices Review covering shareholders’ communication policy, Code of Conduct, whistleblowing policy, policy and guidelines on the provision of gifts and entertainment, anti-fraud policy and policy on making political contributions.</p> <p>The Committee noted the enhancements made to the CLP corporate governance practices, and some of the market and regulatory developments and trends that might have an impact on CLP’s corporate governance practices. The Committee considered that CLP was well in compliance with modern corporate governance standards.</p>
Continuing connected transactions	<p>The Committee considered the work by PwC on the annual reporting and confirmation of continuing connected transactions as required by the Listing Rules.</p>

**Areas of Focus**

**Corporate Governance**

**Culture-related**

The Committee reviewed and commented on the proposed updates to the Code of Conduct.

The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of the 25 breaches in 2020 were material to the Group’s financial statements or overall operations. The breaches were mainly related to issues of workplace behaviour and individuals’ ethics and integrity. Two of the reported Code of Conduct violations involved employees at the grade level of senior manager and above.

The Committee analysed the 2019 findings on ethics and controls commitment survey for the employees. In comparison with previous year’s findings, the ratings of Australia and Hong Kong were improving slightly, China was quite steady, and India was on a slight upward trend. There was an added focus on the company culture in the survey.

The Committee also reviewed the 2020 results on the ethics and controls commitment survey for the Senior Management which is conducted every three years. The overall rating of the survey results was similar to the last survey in 2017, with China having slightly better results and the other regions remained relatively steady.

**Responsibilities**

**Primary Responsibilities**


The Committee’s primary responsibilities include:

- satisfying itself that good accounting, audit principles, risk management, internal controls and ethical practices are applied on a consistent basis throughout the CLP Group (without limiting the primary responsibilities of all the business unit managers throughout the Group);
- assuring adequate risk management and internal control systems are in place and followed and where deficiencies are found, appropriate remedial actions are taken in a timely manner;
- assuring appropriate accounting principles and reporting practices are followed;
- performing the corporate governance duties described further in this Report and fulfilling the functions conferred on the Committee by the CLP Code;
- satisfying itself that the scope and direction of external and internal auditing are adequate; and
- reviewing and making sure the assurance of the sustainability data in the Sustainability Report is appropriate.

**Accountability**

The Committee is accountable to the Board. The Chairman reports to the Board at the Board meetings in which the full year and half year financial statements are considered and this would cover key issues considered by the Committee in the course of the review of the preparation of the financial statements.

**Terms of Reference**

The Committee’s [terms of reference](#) follow international best practice and they also comply with the HKICPA’s “A Guide for Effective Audit Committees” and the Stock Exchange Code. Full terms of reference can be found on CLP’s and the Hong Kong Stock Exchange’s websites. 

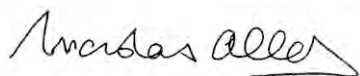
## Audit & Risk Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Committee during 2020 and the Committee was pleased to note that the Company Secretary concluded that the Committee was performing its responsibilities in an effective manner in accordance with its terms of reference.

The evaluation was reviewed and the conclusion was confirmed by internal and independent auditors. The CLP Holdings Board also endorsed the Company Secretary's evaluation.

## Looking Ahead

2020 was an unprecedented year in terms of the various material risks faced by the Group and in looking to 2021, the Committee will continue to be vigilant in overseeing that these risks and any new emerging risks will be appropriately monitored and addressed by management. In terms of the financial reporting and disclosures, the Group have always had a robust preparation and review exercise for the financial reporting and the Committee will work to ensure that these high standards will continue to be maintained.



**Nicholas C. Allen**

Chairman, Audit & Risk Committee

Hong Kong, 22 February 2021

# ○ Sustainability Committee Report

## Members

The Members of the Sustainability Committee are appointed by CLP Holdings' Board of Directors to oversee CLP's sustainability issues. This Committee comprised the following Members during the Period:

**Mr  
Richard Lancaster**  
(Chief Executive Officer)  
as the Chairman

**Mr  
Nicholas C. Allen**  
(Independent Non-  
executive Director)

**Mrs  
Fanny Law**  
(Independent Non-  
executive Director)


**Ms  
May Siew Boi Tan**  
(Independent Non-  
executive Director)

**Ms  
Christina Gaw**  
(Independent Non-  
executive Director),  
appointed in  
October 2020

**Mr  
Andrew Brandler**  
(Non-executive  
Director)

**Mr  
Philip Kadoorie**  
(Non-executive  
Director), appointed in  
January 2020

**Ms  
Quince Chong**  
(Chief Corporate  
Development  
Officer)

[Biographies](#) of the Members are set out in Board of Directors on page 110, Senior Management on page 116 and on our website. 

Sustainability governance is integrated into corporate governance structures throughout the Group – from Board-level committees to management-level group functions and business units (please refer to page 123 of the Corporate Governance Report on CLP's Approach to ESG Reporting). In supporting the Committee, the management-level Sustainability Executive Committee and Group Sustainability Department have the strategic and operational responsibility to assess and manage sustainability issues.

Regular attendees at the Committee's meetings include the following members of the Sustainability Executive Committee and the Director – Group Sustainability (Mr Hendrik Rosenthal):

- Chief Financial Officer – Mr Geert Peeters;
- Deputy Chief Financial Officer – Mr Nicolas Tissot, appointed in September 2020;
- Chief Operating Officer – Mr David Smales;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant.

## Meetings and Attendance

The Committee meets as frequently as required and the Committee met four times during the reported period (full year 2020 and for 2021 up to the date of this Report) (the Period).

## Highlights of the Committee's Work

### Membership Refreshed

The Committee welcomed the appointment of Mr Philip Kadoorie and Ms Christina Gaw (a newly appointed Independent Non-executive Director). This brought the Committee membership to a 50% representation of both independent directors as well as female Members.

### Continued Focus on Longer-Term Issues – Digitalisation, Innovation and Climate Change

A key focus of the Committee's work during the Period was overseeing the longer-term emerging sustainability issues and the impact on the Group's strategy. The Committee had extended meetings with dedicated deep dive sessions on innovation and digitalisation and on climate change.

In the innovation and digitalisation session, management provided the Committee with an overview of the impact of digitalisation and the associated changing competitive landscape along with a review of the actions being taken and investments made by CLP in this area.

In the climate change session, the Committee had the benefit of a briefing from a leading external expert on climate change which included a comprehensive update on developments in climate change and provided the Committee an external perspective on how CLP was performing and progressing on climate action. The expert session was complemented by management's briefing on the broader climate action landscape and the Committee and management had an open dialogue on the directional approach that CLP should be taking in line with the Climate Vision 2050 and the updating of CLP's decarbonisation targets.

The Committee considered how CLP could transform into a Utility of the Future and spent a considerable amount of time on discussing and deliberating on digitalisation, innovation and climate change-related issues. The Committee Members had a constructive exchange with members of the Innovation Team on a number of topics covering potential business opportunities in the areas of energy-related services and the critical success factors for developing data centres.

The following table provides an overview of how the Committee spent its time during the Period:

	Feb	2020 Oct	Nov	2021 Feb
Sustainability Matters – risks, opportunities and emerging issues		●	●	
Sustainability Reporting /Indices performance	●	●	●	●
Health, Safety, Security and Environment				●
Community, Charitable and Environmental Partnerships and Initiatives	●			●

## Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Sustainability Matters	
Climate Vision 2050 targets review	The Committee examined the targets set in the Climate Vision 2050 against the science-based benchmarks and there were in-depth discussions on the impact of government policy initiatives and actions and potential technology developments to decarbonise CLP's portfolio. The Committee also considered the various scenarios put forward by management in updating the carbon intensity targets for the years 2030, 2040 and 2050, including the deliberation of setting a net-zero target for 2050.
Climate change-related developments and risks	The Committee considered the climate change policy landscape at the international level and in the CLP markets. The Committee had an engaging session with a leading climate change expert on the climate ambition at international level and covered topics such as the postponement of COP 26, the implications of a new Biden US administration and the impact of COVID-19 which had led to questions of how best to invest to protect nature and biodiversity.
TCFD	The Committee was briefed on the next steps in implementing the TCFD recommendations which involved assessing our portfolio's exposure in different scenarios, namely, a) physical risks / opportunities in the high carbon scenario; b) transitional risks / opportunities in the low carbon scenario; and c) deferred transition scenario.  The Committee also discussed on how the financial impact of the climate risk and opportunities could be assessed in the analysis of these scenarios with the anticipation that regulatory standards on this would be developed over time.
CLP Value Framework refreshed	The Committee perused the proposed changes and approach to refreshing the CLP Value Framework. On the topic of corporate purpose, vision, mission and values, the Committee and management had an open discussion about the messages articulated in the revised Value Framework document and that this would be consistent and aligned with CLP's pre-existing statements and positions.
Digitalisation and innovation	The Innovation Team delivered a comprehensive briefing on "CLP's journey to be the Digital Utility of the Future" and explained CLP's approach and progress in the areas of digitalised operations, energy as a service, and energy infrastructure.
Sustainability Reporting / Indices Performance	
Sustainability Reporting Standards	The Committee considered the 2020 materiality identification exercise for the <a href="#">2020 Sustainability Report</a> . The Committee paid particular attention to the challenges in 2020 and whether this would require a change in CLP's material topics. The Committee was satisfied with the assessment and reaffirmed the material topics from the 2019 review.   The Committee also considered and endorsed the presentation of the contents of the <a href="#">2020 Sustainability Report</a> and how it meets the Hong Kong Stock Exchange's ESG Reporting Guide "comply or explain" requirements, the Global Reporting Initiative's Sustainability Reporting Standards as well as the TCFD recommendations. 



## Areas of Focus

### Sustainability Reporting / Indices Performance (continued)

**Sustainability data assurance** The continuing practice of commissioning independent assurance of selected KPIs was reported to and acknowledged by the Committee, including the expanded scope of metrics being assured.

**Performance on external sustainability indices** As a standing item, the Committee was briefed on, and monitored, CLP's performance on external sustainability indices.

The Committee analysed the results of the key sustainability issues including the Dow Jones Sustainability Index (DJSI) and Hang Seng Corporate Sustainability Index Series. The Committee took note of the evolving ESG assessment and benchmarking initiatives and discussed the potential implications of CLP's performance in the indices.

Further details of selected 2020 sustainability ratings for CLP's 2019 sustainability performance are shown in the following table. The scores reflected the performance of the year before.

Index Name	2020 Score	2019 Score	2018 Score
DJSI	77	73	69
CDP – Climate Change	B	B	B
Hang Seng Corporate Sustainability Index	AA-	AA-	AA-
FTSE4Good	3.6	3.7	4.0
MSCI ESG Leaders Indexes	AA	AA	AA
Sustainalytics ESG Risk Ratings*	29.9 Medium Risk	N/A	N/A

\* Given the increasing prominence of Sustainalytics ratings, the Committee was updated on this score for the first time in 2020.

### Health, Safety, Security and Environment

**Operational Health, Safety, Security & Environment Standards** The Committee took note of management's ongoing work on the development of the Group's Labour Standards.

### Community, Charitable and Environmental Partnerships and Initiatives

**Community initiatives** The Committee reviewed management's report on the community initiatives undertaken by CLP in 2020 and gave their support on the 2021 programme highlights for Hong Kong, China, India and EnergyAustralia.



## Responsibilities

### Primary Responsibilities

The Committee's primary responsibilities include:

- 📍 reviewing, endorsing and reporting to the Board on CLP's sustainability frameworks, standards, priorities and goals and overseeing CLP group-level strategies, policies and practices on sustainability matters to attain those standards and goals;
- 📍 reviewing and reporting to relevant Board Committees on key international sustainability trends, benchmarking against peers, sustainability risks and opportunities and other emerging issues;
- 📍 overseeing, reviewing and evaluating CLP Group's sustainability performance in terms of internationally-recognised metrics relevant to the industry, as well as the requirements of sustainability stock indices and the desirability of CLP's inclusion in those indices;
- 📍 reviewing and advising the Board on CLP's public reporting with regard to its performance on sustainability matters; and
- 📍 overseeing CLP's community, charitable and environmental partnerships, strategies and related group-level policies and making recommendations to the Board on any changes to those partnerships, strategies and policies.


### Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference.

The objectives of the Committee are to oversee management and advise the Board on matters required to enable:

- the CLP Group to operate on a sustainable basis for the benefit of current and future generations;
- sustainable growth by maintaining and enhancing CLP Group's economic, environmental, human, technological and social capital in the long term; and
- the effective management of CLP Group's sustainability risks.

### Terms of Reference

The current [terms of reference](#) were adopted in February 2015 and are set out on the CLP's and the Hong Kong Stock Exchange's websites. 

## Looking Ahead

The Committee will continue its focus on longer-term emerging sustainability issues concerning the Group. Following on from the deep dive session on Climate Change in 2020, the Committee is well positioned as the Group prepares for a review of the targets set out in our Climate Vision 2050. In addition, the pandemic has brought a sharp focus on ESG issues and the Committee, with the support of Management, will need to stay closely attuned to the evolving issues of ESG and sustainability.



**Richard Lancaster**

Chairman, Sustainability Committee  
Hong Kong, 22 February 2021

## Nomination Committee Report

### Members

The Members of the Nomination Committee are appointed by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:

**Mr  
Nicholas C. Allen**

(Independent  
Non-executive Director),  
as the Chairman

**The Hon Sir  
Michael Kadoorie**

(Non-executive  
Director)


**Ms  
May Siew Boi Tan**

(Independent Non-executive  
Director), appointed in  
January 2020

**Mr  
Vincent Cheng**

(Independent Non-executive  
Director), Member until his  
retirement as a Director at  
the conclusion of the  
2020 AGM in May 2020

The Committee comprises a majority of Independent Non-executive Directors.

[Biographies](#) of the current Members are set out in Board of Directors on page 110 and on our website. 

In addition to the Members, the regular attendees at the Committee's meetings include:

- Chief Executive Officer – Mr Richard Lancaster; and
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds.

### Meetings and Attendance

The Committee meets as frequently as required and the Committee met twice during the reported period (full year 2020 and for 2021 up to the date of this Report) (the Period).

### Highlights of the Committee's Work

#### Membership Refreshed

The Committee welcomed Independent Non-executive Director Ms May Tan as a new Member, she joined the Committee in January 2020. The Committee remained as a three Member Committee with the retirement of Mr Vincent Cheng at the conclusion of the 2020 AGM.

#### Dedicated Meeting for New Director Appointments

In addition to the scheduled meeting, the Committee held a dedicated meeting to consider the proposed appointment of two Independent Non-executive Directors. This meeting was convened to oversee the independent search process undertaken for the proposed appointment of new Independent Non-executive Directors.

## Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Board nominations and Board refresh	<p>With the retirement of Mr Vernon Moore and Mr Vincent Cheng as Independent Non-executive Directors at the conclusion of the 2020 AGM, an independent search process was conducted by consulting firm, Korn Ferry, to undertake a global search for potential replacement candidates.</p> <p>The Committee Chair was involved in the search process and led the engagement with the consulting firm and participated in the interview of the candidates.</p> <p>After a robust interview process, the proposal for appointing two candidates in Ms Christina Gaw and Mr Chunyuan Gu was put to the Committee for consideration.</p> <p>In assessing the proposed candidates, the Committee took into account various factors, including attributes that were identified in the 2019 external Board Review exercise, namely:</p> <ul style="list-style-type: none"> <li>• an alignment of values and a high level of commitment to the CLP cause;</li> <li>• the availability to attend regularly Board and Committee meetings in Hong Kong; and</li> <li>• the ability to bring distinctive value-add aligned to the emerging strategic issues facing CLP and in navigating industry disruptions and leading transformation.</li> </ul> <p>As for the proposed two candidates, the Committee considered their unique experience, background and profile:</p> <ul style="list-style-type: none"> <li>• Ms Christina Gaw, who has extensive investment banking and management experience, a strong ESG belief and mindset and vast experience on the Mainland / the Greater Bay Area, Hong Kong and Australia markets; and</li> <li>• Mr Chunyuan Gu, who has strong engineering and technology background and extensive experience with disruption and transformation experiences along with a depth of experience on the Mainland / the Greater Bay Area.</li> </ul> <p>The Committee was of the view that the two appointments would be a good strategic fit for the Board and endorsed for approval by the Board the proposed appointments of Ms Christina Gaw and Mr Chunyuan Gu to take effect from 20 October 2020.</p> <p>The Committee was also satisfied that the appointments would enhance the diversity of the Board having regard to their expertise, background and experience.</p>

## Areas of Focus

Board Committees refresh	<p>The Committee considered the evolving demands of the Board Committees and having regard to the unique experience, expertise and background of the two new Directors, the Committee reviewed the Board Committees composition and endorsed the following new appointments, which were approved by the Board and became effective on 20 October 2020:</p> <ul style="list-style-type: none"> <li>○ Ms Christina Gaw – as a Member of the Finance &amp; General Committee and the Sustainability Committee; and</li> <li>○ Mr Chunyuan Gu – as a Member of the Audit &amp; Risk Committee and the Finance &amp; General Committee.</li> </ul> <p>In endorsing the above appointments, the Committee considered various factors, including:</p> <ul style="list-style-type: none"> <li>○ the role and the growing workload of the Board Committees;</li> <li>○ the expertise and experience of each of the relevant Directors;</li> <li>○ the existing composition and structure of the Board Committees; and</li> <li>○ the relevant regulatory requirements under the Listing Rules.</li> </ul>
Board Diversity Policy and diversity aspects of the Board	<p>The Committee considered management’s findings on the annual review of the existing Board Diversity Policy and the diversity aspects of the Board for 2020. It was noted that the Board refresh exercise together with the recent appointments enhanced various aspects of the Board’s diversity in terms of gender diversity, length of service, age distribution, independence and alignment between strategic direction and Directors’ skills and experience.</p> <p>Full analysis of the diversity aspects of the Board can be found in the Corporate Governance Report on pages 135 and 136.</p>
Update on corporate governance developments on Board-related topics	<p>In planning ahead, the Committee considered and took note of the various emerging corporate governance trends and issues concerning the Board including director tenure, gender diversity and independence of directors and Board refresh.</p>
Regulatory-related	<p>The Committee undertook the review and assessment of the following regulatory-related matters:</p> <ul style="list-style-type: none"> <li>○ the nomination of Directors for election and re-election at the 2021 AGM;</li> <li>○ the independence of Independent Non-executive Directors;</li> <li>○ the training and continuous professional development of Directors; and</li> <li>○ Directors’ time commitment and the contribution required from Directors to discharge their responsibilities.</li> </ul>

## Responsibilities

### Primary Responsibilities

The Committee's primary responsibilities include:

- 🕒 reviewing the Board structure and composition and Board Diversity Policy on an annual basis;
- 🕒 making recommendations to the Board on Directors appointment and re-appointment and succession planning;
- 🕒 assessing the independence of the Independent Non-executive Directors and whether Directors are spending sufficient time performing their duties; and
- 🕒 reviewing and monitoring the training and continuous professional development of Directors.

### Nomination Policy


Embedded in the Committee's Terms of Reference is the Nomination Policy for Directors. The Policy (set out below) stipulates the key nomination criteria and principles of the Company for the nomination of Directors and provides what the Committee should do in order to give effect to this Policy:

- 1 review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board on an annual basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- 2 identify and nominate qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise. The criteria to be adopted by the Board in considering each individual shall be their ability to contribute to the effective carrying out by the Board of its responsibilities set out in the CLP Code on Corporate Governance in particular those described in paragraphs II.B.35 and 36 of the Code;
- 3 make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the CEO; and
- 4 make recommendations to the Board with particular regard to ensuring a substantial majority of the Directors on the Board being independent of Management.

### Accountability

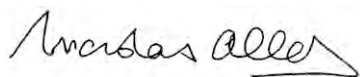
The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference. The objectives of the Committee are to recommend to the Board on the structure, size and composition of the Board and on the nomination of Directors, having regard to the independence and quality of the nominees and ensuring that the nominations are fair and transparent.

### Terms of Reference

The current [terms of reference](#) were adopted in January 2018 and are set out on the CLP's and the Hong Kong Stock Exchange's websites. 

## Looking Ahead

The Committee will continue to play a leading role in planning for the Board's succession and refreshment. The Committee is committed to ensuring that the Board will have the appropriate level of diversity and the right composition that aligns strategically with the organisation.



**Nicholas C. Allen**

Chairman, Nomination Committee  
Hong Kong, 22 February 2021

# Human Resources & Remuneration Committee Report

## Introduction

On behalf of the Board, the Human Resources & Remuneration Committee (HR&RC) scrutinises the remuneration policies applied within the CLP Group, including the remuneration of Non-executive and Executive Directors and of Senior Management. Our objective is to ensure that CLP applies properly structured and fair remuneration policies which align the interests of Directors and Senior Management with those of the Company and its shareholders. This Report explains the policies applied to determining remuneration levels and sets out the remuneration paid to Non-executive Directors, Executive Directors and Senior Management. This Report covering the full year of 2020 and for 2021 up to the date of this Report (the Period) has been reviewed and approved by the HR&RC.

As stated in Note 32(C) to the Financial Statements on page 278, the following sections in the highlighted boxes below form part of the Financial Statements and have been audited by the Company's independent auditor:

- "Non-executive Directors – Remuneration in 2020";
- "Change of Remuneration – Executive Directors and Senior Management";
- "Executive Directors – Remuneration in 2020";
- "Total Directors' Remuneration in 2020";
- "Senior Management – Remuneration in 2020"; and
- "The Five Highest Paid Individuals in 2020".

## Members

The Members of the HR&RC are appointed by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:

**Mr  
Nicholas C. Allen**

(Independent Non-executive Director),  
appointed as the  
Chairman following  
the retirement of  
Mr Vincent Cheng

**Mr  
William Mocatta**

(Non-executive Vice  
Chairman)

**Mrs  
Zia Mody**

(Independent Non-  
executive Director)

**Mrs  
Fanny Law**

(Independent Non-  
executive Director),  
appointed in  
January 2020

**Ms  
May Siew Boi Tan**

(Independent Non-  
executive Director),  
appointed in  
January 2020


**Mr  
Vernon Moore**

(Independent Non-  
executive Director),  
until his retirement as a  
Director at the conclusion  
of the 2020 AGM in  
May 2020

**Mr  
Vincent Cheng**

(Independent Non-  
executive Director),  
the Chairman, until his  
retirement as a Director  
at the conclusion of  
the 2020 AGM in  
May 2020

There are no Executive Directors on the HR&RC and the HR&RC comprises a majority of Independent Non-executive Directors.

[Biographies](#) of the current Members are set out in Board of Directors on page 110 and on our website. 

In addition to the Members, the regular attendees at the HR&RC meetings include:

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Human Resources Officer – Ms Eileen Burnett-Kant; and
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds.

## Meetings and Attendance

During the Period, the HR&RC held three meetings in 2020 and one meeting in 2021.

## Highlights of the Committee's Work

### Leadership and Membership Refreshed

The HR&RC saw a change in leadership with the appointment of Mr Nicholas C. Allen as the new Chairman following the retirement of Mr Vincent Cheng, the former HR&RC Chairman, at the conclusion of the 2020 AGM.

The HR&RC also welcomed the appointment of Mrs Fanny Law and Ms May Tan as new Members in January 2020.

### Succession Planning

Based on the 2019 External Board Review's recommendations, the Committee spent considerable effort and time in reviewing and helping shape management's plan to refresh the approach to succession planning. The Committee paid particular attention to understand the roles and attributes that are required for CLP's future success and gained deeper insights into the organisation's succession readiness. The Committee enhanced its understanding of management efforts in reinforcing the organisation's culture and the wider workforce planning in transitioning CLP into the Utility of the Future.

The following table provides an overview of how the Committee spent its time during the Period:

	Feb	2020 Jul	Nov	2021 Feb
Performance and Remuneration Review	●		●	●
Succession Planning and Organisation Capability Development		●	●	
Staff Policies and Benefits		●		
Governance	●		●	●

## Responsibilities and Summary of Work Done

The HR&RC considers major human resources and pay issues. It also provides forward guidance on EnergyAustralia's remuneration policy through interactions between the HR&RC and the EnergyAustralia Nomination and Remuneration Committee.

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the HR&RC and how it discharged its responsibilities for the Period.

Areas of Focus	
Performance and Remuneration Review	
Remuneration review	<p>The Committee scrutinised and approved:</p> <ul style="list-style-type: none"> <li>● Group performance for 2019 and 2020 and Group targets for 2020 and 2021;</li> <li>● 2019 and 2020 organisation performance for CLP Power Hong Kong, CLP India and China, and targets for 2020 and 2021;</li> <li>● Base pay for 2020 and 2021 for Hong Kong payroll staff, CLP India and China;</li> <li>● CEO's remuneration; and</li> <li>● Remuneration of direct reports to the CEO, including annual incentive payments for 2019 and 2020 and pay review for 2020 and 2021.</li> </ul> <p>The Committee also reviewed a report on the peer groups used for executive remuneration benchmarking and approved changes to these peer groups to reflect recent developments in the international utilities sector including the shift to renewables and energy management solutions and shifts within Hong Kong-based industrials.</p>

## Areas of Focus

### Succession Planning and Organisation Capability Development

Enterprise leadership succession	The Committee reviewed and endorsed the succession plan for the enterprise leadership team and reviewed progress of planned activities in this respect, in particular, initiatives to accelerate potential readiness for succession.
Talent development	The Committee reviewed CLP's holistic approach to development of young people, experienced staff and leaders to prepare them for the demands and challenges of energy transition, digitalisation, new business models and Greater Bay Area growth opportunities.
Diversity and inclusion	The Committee reviewed CLP's progress on the Group's gender diversity metrics of Women in Leadership and Women in Engineering that reflect UN Sustainable Development Goals.

### Staff Policies and Benefits

Human resources policies	The Committee reviewed the Human Resources Policy, initiatives implemented in the past 12 months driven by the purposes of supporting staff during COVID-19, supporting strategy, responding to demographic changes, meeting changing community obligations, developing people appropriately and responding to legislative changes.
Home Loan scheme	The Committee reviewed the progress of CLP's Home Loan Scheme and endorsed continuation of the scheme which is intended to support eligible staff in Hong Kong to purchase their first home.

### Governance

Training and professional development of Senior Management	The Committee considered the activities undertaken in 2019 and 2020 and the planned activities for 2020 and 2021 in respect of the training and continuous professional development of Senior Management.
Executive remuneration governance and disclosure	<p>The Committee reviewed and approved the 2019 and 2020 HR&amp;RC Reports.</p> <p>The Committee took note of management's findings from their regular reviews on the governance and disclosure requirements for executive remuneration and the associated trends and endorsed management's recommendation to strengthen CLP's remuneration disclosure.</p>



## Remuneration Policies

The main elements of CLP's remuneration policies have been in place for a number of years and are incorporated in the CLP Code:

- No individual or any of his or her close associates should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom CLP competes for human resources; and
- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals and promoting the enhancement of the value of the Company to its shareholders.


## Non-executive Directors – Principles of Remuneration

The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not employees of the Company.

In considering the level of remuneration payable to Non-executive Directors, we have referred to:

- Report of the Committee on the Financial Aspects of Corporate Governance of December 1992;
- "Review of the Role and Effectiveness of Non-executive Directors" of January 2003;
- The Financial Reporting Council's "The UK Corporate Governance Code" last published in July 2018; and
- The Stock Exchange Code and associated Listing Rules.

CLP's Non-executive Directors are remunerated in line with market practice such that CLP is able to attract and retain high-calibre candidates needed to run a company successfully, but no more than is necessary for this purpose. The fees are subject to a formal independent review undertaken no less frequently than every three years. Those fees were most recently reviewed at the beginning of 2019 (the 2019 Review). The methodology adopted in the 2019 Review is the same as that used in the previous reviews and as explained to shareholders in the CLP Code, save for (i) maintaining the fees for the Finance & General Committee unchanged although the indicative fees under the methodology showed slight reduction in fees; and (ii) applying our standard review methodology for determining the fees for the Nomination Committee instead of a nominal fee which resulted in a modest increase in absolute dollar value.

CLP's approach goes beyond that required by law or regulation in Hong Kong or the provisions of the Stock Exchange Code. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the [2019 Review and the opinion of J.S. Gale & Co on that 2019 Review](#) are placed on CLP's website. 

## Fees for Non-executive Directors

	Fees per annum (before 7 May 2019) HK\$	Fees per annum (w.e.f. 7 May 2019) HK\$	Fees per annum (w.e.f. 7 May 2020) HK\$	Fees per annum (w.e.f. 7 May 2021) HK\$
<b>Board</b>				
Chairman	765,600	804,300	845,000	887,700
Vice Chairman	601,500	631,900	663,900	697,500
Non-executive Director	546,900	574,500	603,600	634,100
<b>Audit &amp; Risk Committee</b>				
Chairman	477,100	535,100	600,100	673,100
Member	339,100	381,200	428,600	481,900
<b>Finance &amp; General Committee</b>				
Chairman	449,900	449,900	449,900	449,900
Member	319,400	319,400	319,400	319,400
<b>Human Resources &amp; Remuneration Committee</b>				
Chairman	86,800	101,900	119,800	140,700
Member	63,100	73,500	85,600	99,800
<b>Sustainability Committee</b>				
Chairman	112,500	121,400	131,000	141,500
Member	79,000	85,900	93,600	101,900
<b>Nomination Committee</b>				
Chairman	14,000*	19,800	28,200	40,200
Member	10,000*	14,200	20,100	28,700
<b>Provident &amp; Retirement Fund Committee**</b>				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000

\* A nominal fee was previously maintained for the Chairman and Members of the Nomination Committee.

\*\* A nominal fee has been maintained for the Chairman and Members of the Provident & Retirement Fund Committee.

Note: Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

### Non-executive Directors – Remuneration in 2020 (Audited)

The fees paid to each of our Non-executive Directors in 2020 for their service on the CLP Holdings' Board and, where applicable, on its Board Committees are set out below. Higher level of fees was paid to Chairmen of the Board and Board Committees and the Vice Chairman of the Board as indicated by (C) and (VC) respectively. Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

Despite an increase in the level of Non-executive Directors' fees which took effect on 7 May 2020, there was a small decrease in total Directors' fees compared to 2019, primarily due to the retirement of Directors in May 2020 and the appointment of new Directors in October 2020.

In HK\$	Audit & Risk		Nomination Committee	Finance & General Committee	Provident & Retirement		Sustainability Committee	Total 2020	Total 2019	
	Board	Committee			HR&RC	Fund Committee				
<b>Non-executive Directors</b>										
The Hon Sir Michael Kadoorie	830,877 <sup>(C)</sup>	-	18,053	-	-	-	-	848,930	803,691	
Mr William Mocatta <sup>1</sup>	652,798 <sup>(VC)</sup>	-	-	449,900 <sup>(C)</sup>	81,401	14,000 <sup>(C)</sup>	-	1,198,099	1,155,216	
Mr J. A. H. Leigh	593,502	-	-	-	-	-	-	593,502	564,972	
Mr Andrew Brandler	593,502	-	-	319,400	-	-	90,929	1,003,831	967,890	
Mr Philip Kadoorie <sup>2</sup>	593,502	-	-	-	-	-	90,929	684,431	564,972	
Dr Y. B. Lee <sup>3</sup>	-	-	-	-	-	-	-	-	188,793	
<b>Independent Non-executive Directors</b>										
Sir Rod Eddington	593,502	-	-	319,400	-	-	-	912,902	884,372	
Mr Nicholas C. Allen <sup>4</sup>	593,502	523,206 <sup>(C)</sup>	25,285 <sup>(C)</sup>	319,400	103,547 <sup>(C)</sup>	-	90,929	1,655,869	1,422,265	
Mrs Fanny Law <sup>5</sup>	593,502	412,152	-	-	81,401	-	90,929	1,177,984	1,015,157	
Mrs Zia Mody	593,502	-	-	-	81,401	-	-	674,903	634,882	
Ms May Siew Boi Tan <sup>6</sup>	593,502	412,152	18,053	319,400	81,401	-	90,929	1,515,437	1,334,557	
Ms Christina Gaw <sup>7</sup>	120,390	-	-	63,705	-	-	18,669	202,764	-	
Mr Chunyuan Gu <sup>8</sup>	120,390	85,486	-	63,705	-	-	-	269,581	-	
Mr Vernon Moore <sup>9</sup>	202,647	188,956	-	112,575	25,972	-	-	530,150	1,469,360	
Mr Vincent Cheng <sup>10</sup>	202,647	-	5,038	112,575	36,014	-	-	356,274	993,809	
								<b>Total</b>	<b>11,624,657</b>	<b>11,999,936</b>

Notes:

- Mr William Mocatta received HK\$300,000 as fee for his service on the board of CLP Power Hong Kong Limited for each of 2019 and 2020.
- Mr Philip Kadoorie was appointed as a Member of the Sustainability Committee with effect from 1 January 2020.
- The fee paid to Dr Y. B. Lee (a former Director) was made on a pro rata basis in respect of his service up to 6 May 2019, and it is included in the table solely for the purpose of comparing the total fees paid to Non-executive Directors in 2019 with those in 2020.
- Mr Nicholas C. Allen was appointed as Chairman of the Audit & Risk Committee and the HR&RC with effect from 8 May 2020 following the retirement of Mr Vernon Moore and Mr Vincent Cheng as Chairman of the respective Committees.
- Mrs Fanny Law was appointed as a Member of the HR&RC with effect from 1 January 2020.
- Ms May Siew Boi Tan was appointed as a Member of the Nomination Committee and the HR&RC with effect from 1 January 2020.
- 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. The fee paid to Ms Gaw in respect of her service was made on a pro rata basis from 20 October 2020.
- 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. The fee paid to Mr Gu in respect of his service was made on a pro rata basis from 20 October 2020.
- 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 HR&RC with effect from the conclusion of the 2020 AGM held on 8 May 2020. The fee paid to Mr Moore was made on a pro rata basis in respect of his service up to 8 May 2020.
- Mr Vincent Cheng retired as an Independent Non-executive Director, Chairman of the HR&RC, and a Member of the Nomination Committee and the Finance & General Committee with effect from the conclusion of the 2020 AGM held on 8 May 2020. The fee paid to Mr Cheng was made on a pro rata basis in respect of his service up to 8 May 2020.

## Change of Remuneration – Executive Directors and Senior Management (Audited)

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the 12 months ended 31 December 2020 are set out in the tables on page 182 (Executive Directors) and pages 189 and 190 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2020 and, for the annual and long-term incentives, service and performance in previous years.

The amounts disclosed are the amounts recognised in the financial year for accounting purposes, which do not necessarily reflect the cash actually received by the individual. Where payments are made to the individual over more than one financial year, this is explained in the notes.

To provide a clear picture of remuneration, amounts are shown as recurring or non-recurring items. Recurring items are the normal annual remuneration of Executive Directors and Senior Management, whilst non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the tables on page 182 and pages 189 and 190 the “Total Remuneration” column for 2020 includes the following recurring items:

- (i) base compensation, allowances & benefits paid;
- (ii) 2020 annual incentive accrued based on previous year’s Company performance and the 2019 annual incentive adjustment. The adjustment is the difference between the actual annual incentive paid in 2020 for 2019 performance and the annual incentive accrual for 2019;
- (iii) the 2017 long-term incentive award paid in January 2020 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2016 paid in 2019). Approximately 24% of the increase in the value of the phantom shares portion of 2017 long-term incentive payments resulted from the change in CLP Holdings’ share price between 2017 and 2019, with dividends reinvested; and
- (iv) provident fund contribution made.

The “Other Payments” column includes the following non-recurring items:

- (i) relocation payments for newly hired Senior Management.

## Performance Outcomes for the Year

In considering performance outcomes against the balanced scorecard of measures set for the 2020 performance year, the Committee reviewed progress made against a mix of financial, operational, safety, environmental, internal control and objectives reflecting strategic priorities and long-term sustainability.

In 2019, the Committee awarded a lower performance outcome than in prior years, reflecting the tragic fatality of a contract staff member and the need to improve operational safety and project delivery. 2020 brought unprecedented external challenges. Notwithstanding these challenges, financial and operational performance was resilient, with reliable operations maintained. There were no fatalities and project safety performance and delivery was improved. Management of critical risks was strengthened, and progress was maintained on major decarbonisation and digitalisation projects and initiatives underpinning growth. Having considered these outcomes, the Committee decided to award a performance outcome in line with average outcomes in the recent years prior to 2019.


The Committee considers that this outcome appropriately aligns management remuneration with shareholder outcomes.

### Executive Directors – Remuneration in 2020 (Audited)

The remuneration paid to the Executive Directors of the Company in 2020 was as follows:

	Recurring Remuneration Items					Non-recurring Remuneration Items	
	Base Compensation, Allowances & Benefits <sup>1</sup> HK\$M	Performance Bonus <sup>2</sup>		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
		Annual Incentive HK\$M	Long-term Incentive HK\$M				
<b>2020</b>							
CEO (Mr Richard Lancaster)	10.1	7.6	6.3	2.6	26.6	-	26.6
Executive Director & Chief Financial Officer (Mr Geert Peeters)	7.8	5.9	5.0	1.4	20.1	-	20.1
	<b>17.9</b>	<b>13.5</b>	<b>11.3</b>	<b>4.0</b>	<b>46.7</b>	<b>-</b>	<b>46.7</b>
<b>2019</b>							
CEO (Mr Richard Lancaster)	9.7	8.6	7.7	2.5	28.5	-	28.5
Executive Director & Chief Financial Officer (Mr Geert Peeters)	7.5	6.6	5.4	1.4	20.9	-	20.9
	<b>17.2</b>	<b>15.2</b>	<b>13.1</b>	<b>3.9</b>	<b>49.4</b>	<b>-</b>	<b>49.4</b>

Notes:

- The value of non-cash benefits is included under the "Base Compensation, Allowances & Benefits" column of the above table. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, life insurance and medical benefits. The applicability of these benefits depends primarily on the location of the individual.
- Performance Bonus consists of (a) annual incentive (2020 accrual and 2019 adjustment) and (b) long-term incentive (payment for 2017 award). The annual incentive payments and long-term incentive awards were approved by the HR&RC.  
Payment of the annual incentive and granting of the long-term incentive awards relating to 2020 performance will be made in March 2021. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2020. [Details](#) of these will be published on the CLP website at the time that the 2020 Annual Report is published. 

The Group does not have, and has never had, a share option scheme. No Executive Director has a service contract with the Company or any of its subsidiaries with a notice period in excess of six months or with provisions for predetermined compensation on termination which exceeds one year's salary and benefits in kind.

## ○ Total Directors' Remuneration in 2020 (Audited) ○

The total remuneration of Non-executive and Executive Directors in 2020 was:

	2020 HK\$M	2019 HK\$M
Fees	11.6	12.0
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits <sup>1</sup>	17.9	17.2
Performance Bonus <sup>2</sup>		
– Annual Incentive	13.5	15.2
– Long-term Incentive	11.3	13.1
Provident Fund Contribution	4.0	3.9
Non-recurring Remuneration Items		
Other Payments	–	–
	<b>58.3</b>	<b>61.4</b>

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 182 for Executive Directors.
- 2 Refer to Note 2 on Performance Bonus on page 182 for Executive Directors.

Of the total remuneration paid to Directors, HK\$11.0 million (2019: HK\$11.5 million) has been charged to the SoC operation.

## Linking Senior Management Pay with CLP's Purpose and Strategy

For the purposes of this section, Senior Management means the managers whose details are set out on pages 116 and 117.

CLP's Senior Management Remuneration Policy is an important element of the Group's strategy and an expression of our culture. Our Policy is designed to be **sustainable, aligned with shareholders and simple**. Delivery of a highly-reliable supply of electricity today together with transforming our business into a Utility of the Future, is a commitment that requires long-term stewardship and a sustainable approach to remuneration. Ensuring fairness and internal equity; encouraging and rewarding appropriate behaviour while discouraging inappropriate behaviour; and balanced judgement of short- and long-term performance, aligned with shareholder outcomes, underpin this approach.

Fairness and internal equity are key elements of our approach. Depending on individual roles, Senior Management is responsible for a mix of businesses: a vertically-integrated regulated business in Hong Kong, a customer-focused energy business in Australia, and an independent power producer in Mainland China, India, Southeast Asia and Taiwan. We seek to fairly recognise the extent of Senior Management's assigned job responsibilities and capabilities demonstrated, and to ensure that our remuneration attracts, retains and motivates a diverse, high-performing executive team. The structure of our executive remuneration packages is assessed in terms of appropriateness to the role, and with reference to both local and international markets. We emphasise strong management development, succession planning and job mobility to fill vacancies for executive positions as we believe that a long-term career with the Group is an important asset to CLP. Consequently, external competitiveness of remuneration must be balanced with internal equity. While Senior Management pay reflects the scale and scope of their responsibilities, our policy is designed to ensure that remuneration structure and outcomes are aligned with our wider workforce, whose skills, values and commitment are essential to our success, and HR&RC decisions on executive pay outcomes are taken in the context of wider workforce considerations.

Senior Management pay is structured to seek to avoid excessive risk-taking in the achievement of performance targets and is governed by and compliant with relevant regulatory frameworks. In determining incentive payments and Total Remuneration, the HR&RC considers and balances a broad range of performance indicators including financial (e.g., long-term growth in the share price and dividends), operational, safety, environmental, social, business sustainability (including responding to climate change), governance and compliance-related factors linked to CLP's strategy. Decisions on pay reflect considerations of both **what** was achieved and **how** it was achieved. The determination of performance outcomes is not formulaic, as the HR&RC believes that their overriding responsibility to exercise judgement and responsibility, ensuring alignment between shareholders and management.

CLP is committed to being simple and transparent in the way we do business. The HR&RC strives to keep remuneration arrangements simple, clear and consistent to enable effective stakeholder scrutiny. We have maintained our Remuneration Policy in line with prior years in part on the belief that the current arrangements remain fit for purpose, are embedded into our business and are well-understood both internally and externally. Mindful of continuing external interest and debate on executive pay, we have reshaped the structure of our reporting on Remuneration Policy in order that the links between policy, strategy and performance are more clearly and simply articulated.

## Remuneration Policy

### Executive Directors and Senior Management (excluding Managing Director – EnergyAustralia)

The illustration below summarises policy design and operation for members of Senior Management. The policy is set out in full on pages 184 to 188. The pay structure of Managing Director - EnergyAustralia is aligned with Australian market practice and is addressed on pages 187 and 188.

Remuneration Component	Fixed Pay	Annual Incentive Plan (AIP)	Long-Term Incentive (LTI)	Retirement Arrangements
<b>Purpose</b>	Attract and retain the capabilities needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.	Drive performance aligned to short- and long-term value creation considering both <b>what</b> was achieved and <b>how</b> it was achieved, while avoiding excessive risk-taking.	Drive long-term value creation, support retention of Senior Management and encourage an owner’s mindset.	Provide market-competitive and sustainable retirement benefits.
<b>Delivery</b>	Base salary.  Accounted for 34% of potential total remuneration in 2020.	Annual cash payment.  Accounted for 34% of potential total remuneration in 2020.	A minimum of 75% of the award is delivered in Phantom shares subject to a three-year vesting period. Up to 25% can be allocated to a notional cash deposit or to phantom shares.  Accounted for 23% of potential total remuneration in 2020.	Employer and employee contributions to the Group Provident Fund Scheme (a Defined Contribution Scheme).  A 17.5% contribution accounted for 9% of potential total remuneration in 2020.
<b>Approach</b>	Set with reference to local and international comparators, role scope and experience, and wider workforce considerations.  Intent to align target <b>Total Remuneration</b> to between median and upper quartile of the reference market.	Balanced consideration by the HR&RC of a range of quantitative and qualitative performance measures including:  <b>WHAT</b> was achieved – Financial and Operational performance  <b>HOW</b> it was achieved – Safety, Environmental and Internal Control performance  <b>Additional objectives</b> reflecting strategic priorities and long-term sustainability of CLP’s business model, people, environmental impact and community acceptance.	Set with reference to local and international comparators, wider workforce considerations and the cost to Company. Employer contribution rates for Senior Management are the same as for all employees.	

Base Salary	
<b>Purpose and link to strategy</b>	To attract, motivate and retain capable Executives needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.
<b>Operation</b>	Base salaries are reviewed annually considering market data (including base pay and total remuneration opportunity for both local and international peer-group comparators, supplemented where necessary by peer data from published remuneration surveys) and the scope and responsibility of the role, including any changes in responsibility, individual skills and experience. Changes are usually effective from 1 April each year.
<b>Maximum opportunity and alignment with wider workforce</b>	Ordinarily, base salary increases in percentage terms will be in line with, or less than, increases awarded to other CLP employees. Increases may be made above this level for circumstances such as a significant change in responsibility or progression due to recent appointment. The HR&RC's intention is to align total remuneration between the median and upper quartile of the reference market.
<b>Performance measures</b>	Not applicable.

Annual Incentive	
<b>Purpose and link to strategy</b>	To drive performance aligned to short- and long-term value creation considering both what was achieved and how it was achieved, while seeking to avoid excessive risk-taking in the achievement of performance targets.
<b>Operation</b>	AIP awards are determined by the HR&RC's assessment of organisational performance over each financial year. Awards are paid in cash in March following the relevant performance year. AIP awards for the CEO and Hong Kong based members of Senior Management are based on the performance of the CLP Group. For the Managing Director – India awards are based on India performance.
<b>Maximum opportunity and alignment with wider workforce</b>	Each member of Senior Management has a maximum annual incentive opportunity of 100% of base salary. Half of the maximum is payable for target performance. The maximum annual incentive opportunity may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the HR&RC. All employees are eligible to participate in the AIP with target AIP percentage calculated as a percentage of base salary.



Annual Incentive	
<b>Performance measures</b>	<p>In assessing organisational performance, the HR&amp;RC considers a balanced scorecard of measures. Given the scale and complexity of our business operations, there are many such measures, including both quantitative and qualitative factors. There is not a formulaic mathematical determination of performance, rather it is a balanced judgement by the HR&amp;RC taking all relevant factors into account. In reaching their decision, the HR&amp;RC considers:</p> <p>WHAT was achieved</p> <ul style="list-style-type: none"> <li>- Financial and Operational performance: Operating EPS, Operating Earnings, Return on Equity, Asset Performance and Customer Minutes Lost</li> </ul> <p>HOW it was achieved</p> <ul style="list-style-type: none"> <li>- Safety performance: Fatalities, Lost Time Injury and Total Recordable Injury Rates</li> <li>- Environmental Performance: Regulatory non-compliance cases, CO<sub>2</sub> intensity, Emissions and Renewable Energy capacity as a percentage of new generation portfolio</li> <li>- Internal Control: number of Not Satisfactory Audits and Code of Conduct cases</li> </ul> <p>ADDITIONAL OBJECTIVES reflecting strategic priorities and long-term sustainability of the organisation in relation to four dimensions: business model, people and organisational capability, environmental impact and community acceptance.</p>

Long-Term Incentive	
<b>Purpose and link to strategy</b>	To drive long-term business value creation, aligning Senior Management incentives to key strategic objectives, support Senior Management retention and to encourage an owner's mindset.
<b>Operation</b>	LTI awards are based on the target LTI opportunity (50% of the maximum opportunity) set at the beginning of the year, multiplied by the organisational performance score for the preceding year. A minimum of 75% of the award is allocated to CLP Holdings phantom shares based on the average closing share price for the December prior to the making of the LTI award. At the individual's choice, up to 25% of the award can be allocated to either a notional cash deposit or to CLP Holdings phantom shares. Payment is subject to a three-year vesting period.
<b>Maximum opportunity and alignment with wider workforce</b>	Each member of Senior Management has a maximum LTI opportunity of 66.6% of base salary. The final value of the award at the vesting date is determined based on initial allocation choices made and the subsequent impact of changes in share price, dividend reinvestment, exchange rate movements and interest earned over the three-year vesting period. Participation in the LTI Plan applies to Senior Management and other senior roles.
<b>Performance measures</b>	As per the AIP.

Retirement Benefits	
<b>Purpose and link to strategy</b>	To provide market-competitive and sustainable retirement benefits, supporting attraction and retention.
<b>Operation</b>	The Group Provident Fund Scheme is a Defined Contribution scheme which all members of Senior Management and Hong Kong based employees are eligible to join.  Employer contributions to the retirement fund range from 10-17.5% of Base Salary plus target annual incentive.
<b>Maximum opportunity and alignment with wider workforce</b>	To receive the maximum 17.5% employer contribution, employees must have completed 10 or more years of service and are required to contribute 10% of their Base Salary. Employer contribution rates are the same for all employees.
<b>Performance measures</b>	Not applicable.

### Managing Director – EnergyAustralia

Base Salary	
<b>Purpose and link to strategy</b>	To reflect responsibility and complexity of the role, the skills and experience of the individual and to support the attraction and retention of Executives to develop and deliver our strategy.
<b>Operation</b>	Fixed Annual Remuneration (FAR) includes base salary and employer contribution to the Australian statutory superannuation scheme. FAR is reviewed annually taking into consideration the competitive market position compared to peer companies, a range of listed companies with market capitalisation of 50% to 200% of EnergyAustralia's notional market capitalisation, market practice and individual performance. FAR accounted for 29% of Ms Tanna's potential total remuneration in 2020.
<b>Maximum opportunity and alignment with wider workforce</b>	Ordinarily, FAR increases in percentage terms will be in line with or less than increases awarded to other EnergyAustralia employees.
<b>Performance measures</b>	Not applicable.

Managing Director – EnergyAustralia

Short-Term Incentive	
<b>Purpose and link to strategy</b>	To reward individuals' performance based upon achievement of annual financial and operational targets which are linked to EnergyAustralia's strategy. This ensures that total remuneration received is consistent with organisation performance for which management can be held to account. Deferral of incentives facilitates clawback.
<b>Operation</b>	<p>The EnergyAustralia Board determines the level of incentive at its absolute discretion considering key financial, operational and strategic performance indicators.</p> <p>Performance is assessed over a financial year. The actual payout of Ms Tanna's annual incentive is approved by the Board of EnergyAustralia. 70% of the short-term Incentive (STI) award is paid in cash annually, with 30% deferred for two years.</p>
<b>Maximum opportunity and alignment with wider workforce</b>	Maximum annual incentive opportunity is 150% of FAR which accounted for 43% of Ms Tanna's potential total remuneration in 2020. 100% of FAR is payable for on-target performance. All salaried employees are eligible to participate in the STI with target percentage calculated as a percentage of FAR.
<b>Performance measures</b>	STI awards are based on a mix of the corporate scorecard and specific Managing Director-level objectives related to the strategic performance of business. 60% of the STI is based on corporate performance and 40% on priorities set for the business.

Long-Term Incentive	
<b>Purpose and link to strategy</b>	To drive long-term business performance aligning Senior Management incentives to key strategic objectives and to achieve long-term value creation for shareholders.
<b>Operation</b>	<p>LTI awards are based on performance over a three-year performance period. The EnergyAustralia Board determines the final value of LTI awards depending on the achievement of the LTI Performance Conditions.</p> <p>Upon determination of the Final Award Value, 100% of that value (subject to the discretion of the Nomination and Remuneration Committee of EnergyAustralia) will be paid on the vesting date in the fourth year. A minimum of 50% of the Award must be taken in Notional Securities, with the balance taken as deferred cash.</p> <p>Notional Securities entitles the holder to receive a cash payment based on the value of CLP Holdings fully-paid ordinary shares at the time of vesting, ensuring linkage between EnergyAustralia and CLP performance. At the absolute discretion of the EnergyAustralia Board, subject to applicable laws, the Board may require Ms Tanna to repay a sum equal to the cash amount paid to her.</p>
<b>Maximum opportunity and alignment with wider workforce</b>	Maximum LTI opportunity is equal to 100% of FAR which accounted for 28% of Ms Tanna's potential total remuneration in 2020. 50% of FAR is payable for on-target performance. The final value of the award at the vesting date is based on the subsequent impact of changes in share price. Participation in the LTI Plan applies to senior and selected other roles.
<b>Performance measures</b>	The LTI award is decided by the EnergyAustralia Board, depending on the achievement of LTI Performance Conditions.

## Senior Management – Remuneration in 2020 (Audited)

Details of the remuneration of the Senior Management are set out below (except for the Executive Directors, that are set out in “Executive Directors – Remuneration in 2020”).

	Recurring Remuneration Items					Non-recurring Remuneration Items		Total HK\$M
	Base Compensation, Allowances & Benefits <sup>1</sup> HK\$M	Performance Bonus <sup>2</sup>		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M		
		Annual Incentive HK\$M	Long-term Incentive HK\$M					
<b>2020</b>								
Chief Operating Officer (Mr David Smales) <sup>3</sup>	5.5	4.3	-	1.0	10.8	0.2		11.0
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	4.8	3.6	3.1	1.2	12.7	-		12.7
Managing Director – CLP Power (Mr Chiang Tung Keung)	5.6	4.2	3.1	1.5	14.4	-		14.4
Managing Director – EnergyAustralia (Ms Catherine Tanna) <sup>4</sup>	10.6	9.9	9.5	0.1	30.1	-		30.1
Managing Director – India (Mr Rajiv Mishra) <sup>5</sup>	4.1	3.3	2.2	1.0	10.6	-		10.6
Managing Director – China (Mr Chan Siu Hung)	4.7	3.5	2.9	1.2	12.3	-		12.3
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	5.5	4.1	3.5	1.4	14.5	-		14.5
Chief Corporate Development Officer (Ms Quince Chong)	5.5	4.1	3.5	1.2	14.3	-		14.3
Chief Human Resources Officer (Ms Eileen Burnett-Kant) <sup>6</sup>	4.8	3.8	-	0.7	9.3	-		9.3
<b>Total</b>	<b>51.1</b>	<b>40.8</b>	<b>27.8</b>	<b>9.3</b>	<b>129.0</b>	<b>0.2</b>		<b>129.2</b>

Notes 1 to 6 are set out on page 190.

Of the total remuneration paid to Senior Management, HK\$42.6 million (2019: HK\$43.8 million) has been charged to the SoC operation.

Senior Management – Remuneration in 2020 (Audited) (continued)

	Recurring Remuneration Items					Non-recurring Remuneration Items	
	Base Compensation, Allowances & Benefits <sup>1</sup> HK\$M	Performance Bonus <sup>2</sup>		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
		Annual Incentive HK\$M	Long-term Incentive HK\$M				
2019							
Chief Operating Officer (Mr Derek Parkin) <sup>7</sup>	4.2	3.7	3.9	0.7	12.5	-	12.5
Chief Operating Officer (Mr David Smales) <sup>3</sup>	1.3	1.2	-	0.2	2.7	0.5	3.2
Group Director & Vice Chairman – CLP Power Hong Kong	4.6	4.1	3.6	1.2	13.5	-	13.5
Managing Director – CLP Power	5.4	4.7	2.7	1.4	14.2	-	14.2
Managing Director – EnergyAustralia <sup>4</sup>	10.7	12.2	12.4	0.1	35.4	-	35.4
Managing Director – India <sup>5</sup>	4.2	3.4	2.4	1.1	11.1	-	11.1
Managing Director – China	4.4	3.9	3.3	1.2	12.8	-	12.8
Group General Counsel & Chief Administrative Officer	5.3	4.6	4.2	1.3	15.4	-	15.4
Chief Corporate Development Officer	5.2	4.6	4.2	1.2	15.2	-	15.2
Chief Human Resources Officer (Mr Roy Massey) <sup>8</sup>	2.2	2.0	2.7	0.5	7.4	8.2	15.6
Chief Human Resources Officer (Ms Eileen Burnett-Kant) <sup>6</sup>	1.5	1.3	-	0.2	3.0	0.8	3.8
<b>Total</b>	<b>49.0</b>	<b>45.7</b>	<b>39.4</b>	<b>9.1</b>	<b>143.2</b>	<b>9.5</b>	<b>152.7</b>

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 182.
- 2 Refer to Note 2 on Performance Bonus on page 182. For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Nomination and Remuneration Committee and Members of the HR&RC.
- 3 Mr David Smales joined the Company on 1 October 2019. The Other Payments reflected the relocation payments of HK\$0.2 million paid in 2020 of which relocation expenses of HK\$0.08 million were reimbursed to the staff (2019: The Other Payments of HK\$0.5 million included (a) transition allowance (HK\$0.2 million) and (b) relocation expenses (HK\$0.3 million) which were directly settled by CLP for Mr David Smales to the service providers).
- 4 The remuneration of Ms Catherine Tanna is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.
- 5 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra where 50% of his base salary and annual incentive payment in Rupees were converted to pay in Hong Kong dollars at an exchange rate of 1 HKD = 8.3 Rupees from 1 October 2015 to 30 September 2019. The arrangement has been extended for two years from 1 October 2019 to 30 September 2021 at an exchange rate of 1 HKD = 8.9 Rupees. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.
- 6 Ms Eileen Burnett-Kant joined the Company on 3 September 2019. In 2019, the Other Payments of HK\$0.8 million included (a) transition allowance (HK\$0.6 million) and (b) relocation payments (HK\$0.2 million) of which relocation expenses of HK\$0.15 million were directly settled by CLP for Ms Eileen Burnett-Kant to the service providers.
- 7 Mr Derek Parkin stepped down as Chief Operating Officer with effect from 1 October 2019 and his remuneration covered the period from 1 January to 30 September 2019.
- 8 Mr Roy Massey retired as Chief Human Resources Officer on 30 June 2019. The annual incentive for 2019 was made on a pro rata basis for his service up to 30 June 2019. The Other Payments of HK\$8.2 million included (a) accelerated payment of long-term incentive for 2017, 2018 and 2019 (HK\$8.1 million) and (b) encashment of untaken annual leave (HK\$0.1 million).

### •••• The Five Highest Paid Individuals in 2020 (Audited) •••••

The five highest paid individuals in the Group included two Directors (2019: two Directors) and three members of Senior Management (2019: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2020 HK\$M	2019 HK\$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits <sup>1</sup>	39.6	35.3
Performance Bonus <sup>2</sup>		
– Annual Incentive	31.7	34.0
– Long-term Incentive	27.4	32.4
Provident Fund Contribution	7.0	5.9
Non-recurring Remuneration Items		
Other Payments	–	8.2
	<b>105.7</b>	<b>115.8</b>

Notes:

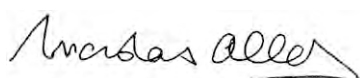
- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 182.
- 2 Refer to Note 2 on Performance Bonus on page 182.

The remuneration paid to these five individuals is within the following bands:

	Number of Individuals	
	2020	2019
HK\$14,000,001 – HK\$14,500,000	1	–
HK\$14,500,001 – HK\$15,000,000	1	–
HK\$15,000,001 – HK\$15,500,000	–	1
HK\$15,500,001 – HK\$16,000,000	–	1
HK\$20,000,001 – HK\$20,500,000	1	–
HK\$20,500,001 – HK\$21,000,000	–	1
HK\$26,500,001 – HK\$27,000,000	1	–
HK\$28,500,001 – HK\$29,000,000	–	1
HK\$30,000,001 – HK\$30,500,000	1	–
HK\$35,000,001 – HK\$35,500,000	–	1

### Looking Ahead

The HR&RC remains committed to its core functions of the oversight of remuneration policies and levels. Continuing on from the Committee's work in the area of succession planning this year, the Committee will focus on succession planning, shaping the organisation's culture and wider workforce planning. The Committee will seek to place a strong emphasis in ensuring organisational alignment with the Group's strategy and in overseeing the building of organisational capability to execute Group's strategy, in particular, with respect to the opportunities in the Greater Bay Area.



#### Nicholas C. Allen

Chairman, Human Resources & Remuneration Committee  
Hong Kong, 22 February 2021

# Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2020.

## Principal Activities

The principal activity of the Company is investment holding and those of its subsidiaries are the generation and supply of electricity. The Company's principal subsidiary companies are listed under Note 35 to the Financial Statements.

## Consolidated Financial Statements

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint ventures and associates. Details of

the joint ventures and associates are provided under Notes 14 and 15 to the Financial Statements.

## Earnings and Dividends

The earnings of the Group for the year are set out under the consolidated statement of profit or loss.

The Directors have declared and paid the first to third interim dividends of HK\$1.89 (2019: HK\$1.89) per share totalling HK\$4,775 million (2019: HK\$4,775 million) during the year.

On 22 February 2021, the Directors declared the fourth interim dividend of HK\$1.21 (2019: HK\$1.19) per share totalling HK\$3,057 million (2019: HK\$3,007 million).

This fourth interim dividend will be paid on 18 March 2021.

## Business Review and Performance

### Summary of the Review

Discussions on the Group's businesses and performance can be found throughout this Annual Report and the cross references are set out below. These discussions form part of this Directors' Report.

Topics	Sections
1 A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, including analysis using financial key performance indicators	<ul style="list-style-type: none"><li>Financial Highlights (page 9)</li><li>Chairman's Statement (page 14)</li><li>CEO's Strategic Review (page 18)</li><li>Financial Review (page 28)</li><li>Business Performance and Outlook (page 42)</li><li>Capitals (page 74)</li></ul>
2 Description of the principal risks and uncertainties facing the Group	<ul style="list-style-type: none"><li>Risk Management Report (page 146)</li><li>Financial Risk Management (page 284)</li></ul>
3 Particulars of important events affecting the Group that have occurred since the end of the 2020 financial year	<ul style="list-style-type: none"><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>Risk Management Report (page 146)</li></ul>
4 Outlook of the Group's business	<ul style="list-style-type: none"><li>Chairman's Statement (page 14)</li><li>CEO's Strategic Review (page 18)</li><li>Business Performance and Outlook (page 42)</li></ul>
5 An account of the Group's relationships with its key stakeholders	<ul style="list-style-type: none"><li>Chairman's Statement (page 14)</li><li>CEO's Strategic Review (page 18)</li><li>Shareholder Value (page 23)</li><li>Business Performance and Outlook (page 42)</li><li>Capitals (page 74)</li></ul>
6 Details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group	<ul style="list-style-type: none"><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 – Five-year Summaries (pages 300)</li></ul>

## Board's Statement on ESG

The following is a statement from the Board of Directors explaining the Board's oversight of Environmental, Social and Governance (ESG) issues and how CLP approaches the management of ESG issues.

### *Governance structure*

The CLP Board has overall responsibility for CLP's ESG strategy and reporting, and sustainability is integrated into our corporate governance structure throughout the Group. As one of the Board Committees, the Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues. In 2020, the Committee's role has been strengthened with a further focus on the impact of longer-term sustainability issues on the Group's strategy. The Sustainability Committee is supported by the Sustainability Executive Committee. The Audit & Risk Committee, meanwhile, retains oversight of material risks and assurance of the reported sustainability data. For further details on the governance structure, please see the section "CLP's Approach to ESG Reporting" in the Corporate Governance Report.

### *How does CLP approach and manage material ESG issues?*

Our current approach in managing our material ESG issues is centred around identifying the most important ESG topics facing the Group, those that are strategic to our business in the medium- to long-term.

An extensive materiality assessment based on a megatrends analysis was conducted in 2018 and the following material ESG topics were identified: responding to climate change; harnessing the power of technology; reinforcing cyber resilience and data privacy; and building an agile, inclusive and sustainable workforce. In 2019, the assessment was conducted in conjunction with our external stakeholders and the results were validated by them.

For 2020, given the various unprecedented challenges from COVID-19, geo-political tensions and other key developments throughout the year, we examined the identified material ESG topics and reaffirmed that these remain valid, current and relevant to CLP. The assessment process was conducted by management with active executive-level participation. These topics were then presented to the Sustainability Committee for their analysis and endorsement. For further details on how other ESG issues are addressed by the Sustainability Committee, please see the Sustainability Committee Report.


### *Climate Vision 2050*

Climate change remains one of the material topics and our Climate Vision 2050 publication is a pledge from CLP on our climate action which sets out clear climate-related targets for the Group. These commitments guide the Group in managing our climate-related risks and opportunities.

We have achieved the 2020 carbon intensity targets set out in our Climate Vision 2050, but we acknowledge that the demand for tougher climate action will only get stronger. Under our Climate Vision 2050, we have committed to strengthening our decarbonisation targets at least every five years and with the next review planned to be undertaken in 2021.

In 2020, through the oversight of the Sustainability Committee, we commenced the preparations for a review of our climate targets. The Committee had a dedicated session and undertook a comprehensive review of CLP's progress on climate action. In addition to reviewing the progress against the targets that we have set for ourselves, the Committee learned from a leading international expert as to how CLP's progress is perceived from an external perspective.

For the coming review of our climate targets, we will continue to track the Group's progress against the Science Based Targets initiative\* (SBTi) to ensure that CLP will be able to stay on course to accelerate its decarbonisation trajectory.

We continue to strengthen our disclosures in line with the TCFD recommendations in our [Sustainability Report](#) and our total Scope 3 GHG emissions figure for 2020 was assured. This is part of our ongoing efforts to better manage our supply chain and engage our stakeholders to understand how we can further reduce these emissions. We also focused on enhancing climate-related risk assessment and developing bespoke climate scenarios for the markets where we operate. We believe that this will greatly assist us in analysing and managing the resilience of our Climate Vision 2050. 

In 2020, we saw how the challenges of COVID-19 have further highlighted the importance of ESG issues and this has affirmed and reinforced our long-term commitment to sustainable business practices.

\* A globally-recognised framework backed by the United Nations Global Compact and other international organisations. Please also refer to Glossary regarding "science-based target".



## Share Capital

There was no movement in the share capital of the Company during the year. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.

## Reserves

Distributable reserves of the Company amounted to HK\$24,308 million as at 31 December 2020 (2019: HK\$25,328 million).

## Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2020 amounted to HK\$54,348 million (2019: HK\$52,349 million). Particulars of borrowings are set out in Note 23 to the Financial Statements and on pages 76 to 81 of the Financial Capital.

## Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 0.8% of the Group's total assets as at 31 December 2020.


## Equity-linked Agreements

For the year ended 31 December 2020, the Company has not entered into any equity-linked agreement.

## Donations

Donations by the Group for charitable and other purposes amounted to HK\$27,088,000 (2019: HK\$20,975,000).

## Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2020 and for the previous four financial years are on page 300. A [ten-year summary](#) is on the CLP website. 

## Senior Management

The biographical details of the Senior Management as at the date of this Report are set out on pages 116 and 117. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 175.

## Major Customers and Suppliers

Sales to the Group's five largest customers together represented less than 30% of the Group's total turnover during the year. Purchases from the Group's five largest suppliers, in aggregate, accounted for 52.32% of the Group's total purchases during the year and a breakdown of the purchases (as a percentage of the Group's total purchases) from each of the five largest suppliers are set out below in descending order:

- 1 13.50% from Australian Energy Market Operator (AEMO) in which the Group has no economic interest. AEMO is the administrator and operator of the Australian energy market, from whom electricity is bought to supply EnergyAustralia group customers and to whom electricity is sold from EnergyAustralia group generators (as market participants, EnergyAustralia group entities are members of AEMO but do not hold any economic interest in AEMO).
- 2 12.67% from Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) which is 25% owned by the Group. GNPJVC owns Guangdong Daya Bay Nuclear Power Station (GNPS), and CLP Power Hong Kong, a wholly-owned subsidiary of the Company and the largest electricity supplier in Hong Kong, purchases 80% of GNPS's output for supply of electricity to its customers in Hong Kong.
- 3 11.10% from PetroChina International Guangdong Co., Ltd. (PCIGD) in which the Group has no interest. CAPCO purchases natural gas from PCIGD for its electricity generation.
- 4 9.32% from CNOOC China Limited (CNOOC) in which the Group has no interest. CAPCO purchases natural gas from CNOOC for its electricity generation.
- 5 5.73% from Ausgrid Operator Partnership (Ausgrid) in which the Group has no interest. EnergyAustralia pays the distribution charges to Ausgrid which owns and operates the electricity distribution network that provides services to customers located in Sydney, the Central Coast and Hunter regions of NSW.

As at 31 December 2020, none of the Directors, their close associates or substantial shareholders of the Company had any interest in those suppliers other than their indirect interests in GNPJVC, which interests arose from the Group's interest in GNPJVC and the Group's approximate 0.28% shareholding interest in CGN Power Co., Ltd. (the listed entity of which GNPJVC is a subsidiary).

## Directors

As at the date of this Report, the Directors of the Company together with their biographical details are set out on pages 110 to 115 of this Annual Report. With the exception of Ms Christina Gaw and Mr Chunyuan Gu who were appointed in October 2020, the Directors held their office for the whole year ended 31 December 2020. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 175.

Mr Vernon Moore and Mr Vincent Cheng retired as Independent Non-executive Directors of the Company at the conclusion of the 2020 AGM held on 8 May 2020. Both Mr Moore and Mr Cheng confirmed that they had no disagreement with the Board and that they were not aware of any matter in relation to their retirement that should be brought to the attention of the shareholders of the Company.

With effect from 20 October 2020, Ms Christina Gaw and Mr Chunyuan Gu were appointed as Independent Non-executive Directors of the Company.

Under the Company's Articles of Association, Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 125 of the Company's Articles of Association, Ms Christina Gaw and Mr Chunyuan Gu, appointed during 2020, will retire at the 2021 AGM. In accordance with Article 119 of the Company's Articles of Association, Mr J. A. H. Leigh, Mr Andrew Brandler, Mr Nicholas C. Allen, Mrs Fanny Law and Mr Richard Lancaster will retire by rotation at the 2021 AGM.

All the retiring Directors, being eligible, offer themselves for election or re-election. None of the Directors offering themselves for election or re-election at the 2021 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.


## Directors' Interests in Transactions, Arrangements or Contracts

During the year ended 31 December 2020, none of the Directors or his/her connected entity had directly or indirectly any material interest in transactions, arrangements or contracts of significance entered into by the Group.

## Alternate Director

During the year ended 31 December 2020 and up to the date of this Report, Mr Andrew Brandler is alternate to Mr William Mocatta.

## Directors of Subsidiaries

The [names of all directors who have served on the boards of the subsidiaries of the Company](#) during the reported period (full year 2020 and for 2021 up to the date of this Report) (the Period) are available on the CLP website. 

## Permitted Indemnity Provisions

During the Period, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the group-wide directors and officers liability insurance maintained by the Company in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors of the Company.

## Continuing Connected Transactions

China Southern Power Grid International (HK) Co., Limited (CSG HK) is a connected person of CLP Holdings (at the subsidiary level) by virtue of CSG HK being a substantial shareholder of CAPCO, a subsidiary of CLP Holdings; and this makes CSG HK's parent entity China Southern Power Grid Co., Ltd. (CSG) and its subsidiaries, collectively the CSG Group, connected persons of CLP Holdings. Accordingly, ongoing transactions entered into between members of the CSG Group and members of the CLP Group constitute continuing connected transactions (CCTs) for CLP Holdings under Chapter 14A of the Listing Rules.

Under the Listing Rules, the Group's CCTs relating to the power purchase arrangements with the CSG Group are required to be subject to an annual aggregate cap determined by the Company, and for 2020, this was HK\$1,600 million. The annual aggregate cap was approved by the Board of Directors in December 2019 and subsequently disclosed in the announcement dated 2 January 2020. The project level caps of the CCTs for 2020 set out in the table on pages 196 to 205 are for reference only and were used to derive the annual aggregate cap of HK\$1,600 million.

Other details of the CCTs, which are required to be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules, are also set out in the same table. The transaction consideration for 2020, unless otherwise stated, represented the actual transaction values of the relevant CCTs in the full twelve months of 2020.

Name, date and term of the agreement		Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2020 HK\$M
<b>1 CLP Power Hong Kong electricity sales to Mainland China</b>						
1.1	<p>Energy Economy Interchange Agreement</p> <p>Original agreement entered into on 25 December 2015 and extended by way of further agreements. On 5 November 2018, a supplemental agreement was entered into to further extend the term to 24 December 2021. On 20 December 2019, a supplemental agreement was entered into under which the expiry date remains unchanged.</p>	CLP Power Hong Kong	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (CSG-GPG)	Economic interchange of electricity from, on the one side, CLP Power Hong Kong to CSG-GPG and, on the other, from CSG-GPG to CLP Power Hong Kong, depending on which party is affected by an emergency incident resulting in interruption of normal electricity supply to its customers.	<p>The consideration will, under circumstances prescribed in the agreement, be settled by either cash payment or by CSG-GPG's supply of such volume of water to Guangzhou Pumped Storage Power Station (for which the CLP Group has contractual rights to use 50% of Phase 1 of the power station (600MW)) for the generation of electricity equivalent to the volume supplied by CLP Power Hong Kong.</p> <p>Where the consideration is settled by cash payment, it is based on the number of kWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account the available market information and the relevant cost.</p>	(Note)
<b>Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China</b> (Project level cap for 2020 was HK\$420.00 million)						-
<b>2 Huaiji hydro project</b>						
2.1	<p>Zelian Hydro Station Power Purchase Agreement (PPA)</p> <p>Agreement entered into on 24 September 2018 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 23 September 2021.</p>	Guangdong Huaiji Xinlian Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHX)	Zhaoqing Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-ZPB)	CLP-GHX sells electricity to CSG-ZPB which delegated the role of settlement to Zhaoqing Huaiji Power Bureau, another subsidiary of CSG.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong Provincial Development and Reform Commission (Guangdong PDRC). This tariff is published at the Guangdong PDRC Document YueJia [2013] No. 177 and is updated from time to time.	5.34
2.2	<p>Supplemental Agreement to Zelian Hydro Station PPA</p> <p>Agreement entered into on 16 August 2019 for a one-year period from 19 April 2019 to 18 April 2020 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 18 April 2021.</p>	CLP-GHX	CSG-ZPB	This is for the temporary arrangement for CSG-ZPB to supply electricity to CLP-GHX during the technical retrofit of Zelian Hydro Station and the upgrade of the local grid company.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2019] No. 138 and is updated from time to time.	0.18
2.3	<p>Longzhongtan Hydro Station PPA</p> <p>Agreement entered into on 25 December 2018 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 24 December 2021.</p>	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	2.39
2.4	<p>Jiaoping Hydro Station PPA</p> <p>Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2021.</p>	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 2.1 above	1.94
2.5	<p>Xiazhu Hydro Station PPA</p> <p>Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2021.</p>	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	5.82

						Consideration for 2020 HK\$M
Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration		
2.6 Shuixia Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2021.	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHW)	CSG-ZPB	CLP-GHW sells electricity to CSG-ZPB.	As in item 2.1 above	31.01	
2.7 Baishuihe Four Hydro Stations PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2021.	Guangdong Huaiji Changxin Hydro-electric Power Company Limited (CLP-GHC)  Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (CLP-GHG)  CLP-GHW  CLP-GHX  All of the above companies are subsidiaries of the Company.	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 2.1 above	110.88	
2.8 Supplemental Agreement to Baishuihe Four Hydro Stations PPA New agreement entered into on 9 December 2020 for a two-year period to 8 December 2022.	CLP-GHC,  CLP-GHG,  CLP-GHW and  CLP-GHX	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell/purchase electricity to/from CSG-ZPB.	Payment is based on the number of kWh sold/purchased multiplied by a tariff pre-determined by the Zhaoqing Development and Reform Commission (Zhaoqing DRC). This tariff is published at the Zhaoqing DRC Document [2012] No. 67 and is updated from time to time.	-	
2.9 Niuqi Hydro Station PPA Agreement entered into on 26 July 2016 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 25 July 2021.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	17.76	
<b>Aggregated total consideration for Huaiji hydro project</b> (Project level cap for 2020 was HK\$366.00 million)					175.32	
<b>3 Meizhou solar project</b>						
3.1 Meizhou Solar Project PPA Agreement entered into on 1 March 2019 for a one-year period from 1 February 2019 to 1 February 2020 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 1 February 2021.	Pingyuan Litan New Energy Power Company Limited, a wholly-owned subsidiary of the Company (CLP Meizhou)	Meizhou Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPB)	CLP Meizhou sells electricity to CSG-MPB.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2017] No. 3084 and is updated from time to time.	50.22	
3.2 Meizhou Solar Project High Voltage Electricity Supply Contract Agreement entered into on 10 July 2019 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 9 July 2021.	CLP Meizhou	Meizhou Pingyuan Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPPB)	CSG-MPPB supplies electricity to CLP Meizhou for power consumption at the project site.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2018] No. 213 and is updated from time to time.	0.29	
<b>Aggregated total consideration for Meizhou solar project</b> (Project level cap for 2020 was HK\$59.00 million)					50.51	

						Consideration for 2020 HK\$M
Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration		
<b>4 Yang_er hydro project</b>						
4.1	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 9 May 2021.	Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company (Dali Yang_er)	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG (CSG Yangbi)	CSG Yangbi supplies electricity to Dali Yang_er for use by the facilities at the main dam.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan Provincial Development and Reform Commission (Yunnan PDRC). This tariff is updated from time to time.	0.01
4.2	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 9 May 2021.	Dali Yang_er	CSG Yangbi	CSG Yangbi supplies electricity via a 10kV line to Dali Yang_er during overhaul related outages.	As in item 4.1 above	-
4.3	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 March 2019 for a three-year period to 22 March 2022.	Dali Yang_er	Dali Power Bureau of Yunnan Power Grid Company Limited (CSG Yunnan), a subsidiary of CSG (CSG-DPB)	CSG-DPB supplies electricity via a 110kV line to Dali Yang_er during overhaul related outages.	As in item 4.1 above	-
4.4	Power Exchange Sales Transactions entered into via Kunming Power Exchange Center Limited (Kunming PEC) on various dates in 2020 for electricity sales for various durations.	Dali Yang_er	CSG Yunnan, a subsidiary of CSG, and Kunming PEC which is 44% owned by CSG Yunnan	Dali Yang_er sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	Payment is based on the number of kWh sold multiplied by the tariff determined through competitive bidding processes conducted on Kunming PEC, an arm's length tariff agreed between the parties for market sales (as applicable), or set by Kunming PEC for interprovincial electricity sales (together with a transaction fee charged by Kunming PEC).	24.72
<b>Aggregated total consideration for Yang_er hydro project</b> <i>(Project level cap for 2020 was HK\$40.00 million)</i>						24.73
<b>5 Xicun solar project (Phases I and II)</b>						
5.1	Xicun Solar Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2021.	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company (CLP Xicun)	CSG Yunnan	CLP Xicun sells electricity to CSG Yunnan.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the National Development and Reform Commission (NDRC) and subject to adjustment in accordance with the 2020 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan PDRC and Yunnan Provincial Energy Administration and is updated from time to time.	46.52
5.2	Xicun Solar Project High Voltage Electricity Supply Contract (10kV) Agreement entered into on 11 December 2014 for a three-year period to 10 December 2017 with automatic renewals for successive three-year periods. On 2 January 2020, a new agreement was entered into for a three-year period to 1 January 2023.	CLP Xicun	Dali Binchuan Power Bureau of CSG Yunnan, a subsidiary of CSG (CSG Binchuan)	CSG Binchuan supplies electricity to CLP Xicun for power consumption at the project site.	As in item 4.1 above	-
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 23 December 2019 for a three-year period to 22 December 2022.	CLP Xicun	CSG-DPB	CSG-DPB supplies electricity (110kV) to CLP Xicun for power consumption at the project site for equipment when the plant is not in generation status.	As in item 4.1 above	0.40

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2020 HK\$M
5.4	Xicun Solar Project High Voltage Electricity Supply Contract (for pump station)  Agreement entered into on 31 July 2015 for a three-year period to 30 July 2018 with automatic renewals for successive three-year periods. On 2 January 2020, a new agreement was entered into for a three-year period to 1 January 2023.	CLP Xicun	CSG Binchuan	CSG Binchuan supplies electricity (10kV) to CLP Xicun for use by the watering facilities.	Payment is based on the number of kWh sold multiplied by the agricultural tariff for agricultural users determined by the Yunnan PDRC. This tariff is updated from time to time.	0.03
5.5	Power Exchange Sales  Transactions entered into via Kunming PEC on various dates in 2020 for electricity sales for various durations.	CLP Xicun	CSG Yunnan and Kunming PEC	CLP Xicun sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	As in item 4.4 above	86.84
<b>Aggregated total consideration for Xicun solar project (Phases I and II)</b> <i>(Project level cap for 2020 was HK\$146.00 million)</i>						133.79
<b>6 Xundian wind project</b>						
6.1	Xundian Wind Project PPA  Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2021.	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company (CLP Xundian)	CSG Yunnan	CLP Xundian sells electricity to CSG Yunnan.	As in item 5.1 above	14.38
6.2	Xundian Wind Project High Voltage Electricity Supply Contract  Agreement entered into on 30 November 2015 for a three-year period to 29 November 2018 with automatic renewals for successive three-year periods. On 1 September 2020, a new agreement was entered into for a three-year period to 31 August 2023.	CLP Xundian	Kunming Power Bureau of CSG Yunnan, a subsidiary of CSG (CSG-KPB)	CSG-KPB supplies electricity via a 110kV line to CLP Xundian for station consumption.	As in item 4.1 above	0.09
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV)  Agreement entered into on 8 July 2019 for a three-year period to 7 July 2022.	CLP Xundian	Kunming Xundian Power Supply Company Limited of CSG Yunnan, a subsidiary of CSG (CSG-KXPSC)	CSG-KXPSC supplies electricity to CLP Xundian for use by the facilities in the plant.	Payment is based on the number of kWh sold multiplied by the non-residential tariff determined by the Yunnan PDRC. This tariff is updated from time to time.	-
6.4	Power Exchange Sales  Transactions entered into via Kunming PEC on various dates in 2020 for electricity sales for various durations.	CLP Xundian	CSG Yunnan and Kunming PEC	CLP Xundian sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	As in item 4.4 above	56.36
<b>Aggregated total consideration for Xundian wind project</b> <i>(Project level cap for 2020 was HK\$83.00 million)</i>						70.83
<b>7 Sandu wind project</b>						
7.1	Sandu Wind Project PPA  Agreement entered into on 31 December 2019 for a two-year period from 1 January 2020 to 31 December 2021.	CLP (Sandu) Renewable Energy Limited, a wholly-owned subsidiary of the Company (CLP Sandu)	Guizhou Power Grid Company Limited, a subsidiary of CSG (CSG Guizhou)	CLP Sandu sells electricity to CSG Guizhou.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the NDRC. The tariff is published at the NDRC Document FaGai.JiaGe [2014] No. 3008 and is updated from time to time.	163.07

					Consideration for 2020 HK\$M	
	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	
7.2	Sandu Wind Project Electricity Supply Contract (220kV)  Agreement entered into on 21 March 2018 for a one-year period from 18 August 2018 to 17 August 2019 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 17 August 2021.	CLP Sandu	Duyun Sandu Power Bureau of CSG Guizhou, a subsidiary of CSG (CSG-DSPB)	CSG-DSPB supplies electricity to CLP Sandu for power consumption at the project site.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Guizhou Provincial Development and Reform Commission. This tariff is updated from time to time.	0.26
7.3	Sandu Wind Project Electricity Supply Contract (10kV)  Agreement entered into on 23 March 2018 for a three-year period to 22 March 2021.	CLP Sandu	CSG-DSPB	CSG-DSPB supplies electricity to CLP Sandu for power consumption at the project site.	As in item 7.2 above	-
<b>Aggregated total consideration for Sandu wind project</b> <i>(Project level cap for 2020 was HK\$165.00 million)</i>						163.33
<b>Total Consideration for 2020</b>						<b>618.51<sup>(Note)</sup></b>

Note: CLP Power Hong Kong supplied electricity to CSG-GPG under this agreement during the year. The consideration for the power supply was settled in full by the supply of water to Guangzhou Pumped Storage Power Station to generate the same quantity of power equivalent to the power supplied by CLP Power Hong Kong without any cash settlement. For the purpose of disclosure for this particular project, the notional transaction value has been calculated as if all transactions had been settled in cash in accordance with this agreement. This is equivalent to HK\$108.5 million for the power supply carried out in the year. This equivalent amount is disclosed herein for monitoring whether all transactions fall within the Annual Aggregate Cap only and is excluded from the above total consideration for 2020.

Pursuant to Rule 14A.55 of the Listing Rules, all the Independent Non-executive Directors of the Company have reviewed the CCTs and confirmed that the CCTs have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better to CLP; and
- (iii) according to the relevant agreement governing each of the CCTs on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's independent auditor, PwC, was engaged to report on the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

PwC has reviewed these transactions and, pursuant to Rule 14A.56 of the Listing Rules, confirmed to the Board of the Company that nothing has come to their attention that causes them to believe that:

- (i) the transactions have not been approved by the Board of the Company;
- (ii) the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) the transactions have exceeded the annual aggregate cap.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

## Interests of Directors and Chief Executive Officer

The interests/short positions of each of the Directors and the CEO in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 31 December 2020, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

### 1 Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of Directors and the CEO in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2020 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon Sir Michael Kadoorie	Note 1	410,526,125	16.24913
Mr William Mocatta	Note 2	400,000	0.01583
Mr J. A. H. Leigh	Note 3	218,816,853	8.66104
Mr Andrew Brandler	Note 4	10,600	0.00042
Mr Philip Kadoorie	Note 5	410,524,882	16.24908
Mr Nicholas C. Allen	Note 6	41,000	0.00162
Mrs Fanny Law	Beneficial Owner	6,800	0.00027
Ms May Siew Boi Tan	Beneficial Owner	20,000	0.00079
Mr Richard Lancaster (CEO)	Personal	600	0.00002

Notes:

- 1 The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 410,526,125 shares in the Company. These shares were held in the following capacity:
  - a 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.
  - b 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
  - c 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
  - d 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
  - e 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

For the purpose of the Securities and Futures Ordinance, the spouse of The Hon Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in 1b to 1e above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 410,526,125 shares in the Company representing approximately 16.25% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 410,524,882 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 410,524,882 shares attributed to her for disclosure purposes.



- 2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 400,000 shares in the Company. These shares were held in the following capacity:
  - a 250,000 shares were held in the capacity as the founder of a discretionary trust.
  - b 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.
- 3 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 218,816,853 shares in the Company. These shares were held in the following capacity:
  - a 165,000 shares were held in a beneficial owner capacity.
  - b 218,651,853 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.
- 4 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.
- 5 Mr Philip Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 410,524,882 shares in the Company. These shares were held in the following capacity:
  - a 233,044,212 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
  - b 170,180,670 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
  - c 1,300,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
  - d 2,000,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
  - e 2,000,000 shares were ultimately held by each of two discretionary trusts, both of which Mr Philip Kadoorie is one of the default beneficiaries.
- 6 41,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Sir Rod Eddington, Mrs Zia Mody, Ms Christina Gaw, Mr Chunyuan Gu and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2020.

None of the Directors or the CEO had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2020.

## **2 Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations**

None of the Directors or the CEO had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2020.

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors and the CEO of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

## Interests of Substantial Shareholders

The interests/short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2020, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

### 1 Aggregate long position in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' interests in the shares of the Company as at 31 December 2020:

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company		% of the Issued Share Capital of the Company
Bermuda Trust Company Limited	Trustee / Interests of controlled corporations	305,591,730	Note 1	12.10
Guardian Limited	Beneficiary / Interest of controlled corporation	218,651,853	Note 7	8.65
Harneys Trustees Limited	Interest of controlled corporation	410,524,882	Note 3	16.25
Lawrencium Holdings Limited	Beneficiary	170,180,670	Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212	Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212	Note 2	9.22
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	410,524,882	Note 2	16.25
Oak CLP Limited	Beneficiary	218,651,853	Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853	Note 1	8.65
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporations	226,011,664	Note 4	8.95
The Hon Sir Michael Kadoorie	Note 5	410,526,125	Note 5	16.25
Mr J. A. H. Leigh	Notes 6 & 7	218,816,853	Notes 6 & 7	8.66
Mr Philip Kadoorie	Note 8	410,524,882	Note 8	16.25
Mr R. Parsons	Trustee	218,651,853	Note 7	8.65

Notes:

- 1 Bermuda Trust Company Limited was deemed to be interested in the shares in which Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies.
- 2 The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested. The interests of The Mikado Private Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the beneficiaries and a founder as disclosed in "Interests of Directors and Chief Executive Officer".

- 3 Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and was therefore deemed to be interested in the shares in which such company was deemed to be interested.
- 4 The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP Limited and another company were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies.
- 5 See Note 1 under "Interests of Directors and Chief Executive Officer".
- 6 See Note 3 under "Interests of Directors and Chief Executive Officer".
- 7 Mr R. Parsons and Mr J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 218,651,853 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.
- 8 See Note 5 under "Interests of Directors and Chief Executive Officer".

As at 31 December 2020, the Company had not been notified of any long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.


## 2 Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2020, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

## Interests of Any Other Persons

As at 31 December 2020, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

## Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on page 118 of this Annual Report, while our [Sustainability Report](#) available online describes the Company's actions and initiatives with particular emphasis on the social and environmental aspects of our activities. 

## Auditor

The Financial Statements for the year have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment, at the AGM of the Company.

On behalf of the Board



**The Honourable Sir Michael Kadoorie**  
Chairman  
Hong Kong, 22 February 2021